State of Wisconsin

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Joint Committee on Finance

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Howard Marklein
Representative Mark Born

Date: December 28, 2022

Re: 14-Day Passive Review Approval – Unsupported Overdrafts

Pursuant to s. 16.513(3), Stats., attached is a 14-day passive review request from DATCP; DOC; DHS; DWD; DOJ; DMA; and DOA, received on December 28, 2022.

Please review the material and notify **Senator Marklein** or **Representative Born** no later than **Wednesday, January 18, 2023,** if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

HM:MB:jm

DEPARTMENT OF ADMINISTRATION

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary-designee

Date: December 28, 2022

To: The Honorable Howard Marklein, Co-Chair
Joint Committee on Finance

The Honorable Mark Born, Co-Chair
Joint Committee on Finance

DEC 28 2022
Jt. Finance

From: Kathy Blumenfeld, Secretary-designee KB
Department of Administration

Subject: Section 16.513(3) Request

Enclosed are spending plans from the Department of Agriculture, Trade and Consumer Protection; Department of Corrections; Department of Health Services; Department of Workforce Development; Department of Justice; Department of Military Affairs; and Department of Administration to address unsupported overdrafts for fiscal year 2020-21. The plans have been approved by this department under the authority granted in s. 16.513(3), Wisconsin Statutes. The explanations for the requests are included in the attached materials.

As provided in s. 16.513(3), the request(s) will be approved on **January 20, 2023**, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.

Please contact Kirsten Grinde at kirsten.grinde@wisconsin.gov in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

cc: Bob Lang, Legislative Fiscal Bureau

DEPARTMENT OF ADMINISTRATION

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary-designee
Brian Pahnke, Administrator

Date: December 28, 2022

To: Kathy Blumenfeld
Secretary-designee

From: Brian Pahnke
State Budget Director

Subject: Fiscal Year 2021-22 Program Revenue Overdraft Review

Pursuant to s. 16.513(3), the department is required to review agency plans to address any unsupported overdrafts in program or segregated revenue appropriations, which are defined as appropriations where there are insufficient moneys, assets or accounts receivable to cover expenditures at the end of each fiscal year. The department then submits its recommendation to approve, disapprove or approve with modification the agency's plan to the Joint Committee on Finance. At the February 15, 2012, s. 13.10 meeting, the committee approved a motion to direct the department to submit these overdraft plans for fiscal year 2011-12 and beyond within six months of the close of the fiscal year.

Since this requirement was enacted, the Department of Administration has conducted an examination of the program revenue and corresponding segregated revenue appropriations that had overdrafts at the end of each fiscal year. This examination is performed after the end of the fiscal year in order to comply with the requirements of s. 20.903(2), Wis. Stats., which states that liabilities may be created in program revenue and corresponding segregated revenue appropriations at the end of the current fiscal year not exceeding unexpended monies plus accrued accounts receivable, inventory and work in process. Certain appropriations are also authorized by statute to use the net book value of equipment and buildings (capital assets) as coverage for the overdraft. After a determination has been made that an appropriation does not have assets, receivables, inventory or, in some instances, buildings and equipment to cover the overdraft, agencies are then required by s. 16.513, Wis. Stats., to submit a plan to the department detailing how these overdrafts will be resolved.

In some cases, the deficits are long-standing and will require multiple years and statutory changes, such as revenue adjustments, reallocation of costs or reductions in program requirements, to reduce or eliminate the deficit. And at times, Governors have included plans to address the overdrafts as part of the biennial budget bills, only some of which have been accepted by the Legislature.

The unsupported overdraft appropriations in fiscal year 2021-22 total $163,747,238. The following agencies have unsupported overdrafts in the following appropriations:

Department of Agriculture, Trade and Consumer Protection

Appropriation 12200 [s. 20.115(1)(h)], Grain Inspection and Certification, in the amount of $636,057. The total cash overdraft is $665,806, and there are accounts receivable of $29,749 as coverage. The fiscal year 2021-22 unsupported overdraft increased by $254,202 from the unsupported overdraft of $381,855 reported in fiscal year 2020-21.

The department has submitted a plan to continue to lapse any remaining GPR balances at year-end to cover the deficit in this appropriation, as required by 2005 Wisconsin Act 25. In fiscal year 2021-22, the department transferred $314,227 GPR from its general operations appropriations to address the deficit.

The 2015-17 Biennial Budget, 2015 Wisconsin Act 55, deleted 4.0 FTE positions as well as $195,600 in associated expenditure authority from this appropriation. In addition, the 2013-15 Biennial Budget, 2013 Wisconsin Act 20, required the department to transfer an amount equal to the overdraft amount as of June 30, 2013, from unencumbered balances in program revenue appropriations, the agricultural chemical management segregated fund or the agricultural chemical cleanup program segregated fund. Going forward, the department will continue to lapse any remaining GPR balances to reduce the deficit.

RECOMMENDATION: Approve the plan.

Appropriation 23400 [s. 20.115(2)(j)], Dog Licenses, Rabies Control and Related Services, in the amount of $70,206. The fiscal year 2021-22 unsupported overdraft decreased by $342,754 from the unsupported overdraft of $412,960 in fiscal year 2020-21.

The 2021-23 Biennial Budget, 2021 Wisconsin Act 58, required the department to transfer $450,000 in fiscal year 2021-22 to the appropriation to offset the unsupported overdraft. This transfer reduced the size of the overdraft but did not eliminate it.

In addition, the department convened a work group to review the programmatic requirements of the dog licensing, rabies control and related services program. The purpose of the work group was to make recommendations to the department related to the expenditures and revenues in the program that would resolve the unsupported overdraft. Based on the recommendations of the work group, the department initiated the rule-making process to address the ongoing imbalance between the appropriation's revenues and expenditures. This includes new license fees that were implemented on September 1, 2022. The department anticipates that the additional revenue generated by the fees will help reduce the overdraft.

RECOMMENDATION: Approve the plan.

Department of Corrections

Appropriation 32300, which is part of s. 20.410(3)(hm), Juvenile Correctional Services, in the amount of $2,888,448. The net cash overdraft is $6,047,128, and there are accounts receivable of $3,158,680 that offset a portion of the overdraft. The fiscal year 2021-22 unsupported overdraft decreased by $12,961,250 from the unsupported overdraft of $15,849,698 in fiscal year 2020-21.

The overdraft in this appropriation was the result of a declining juvenile population as well as unanticipated expenditures to fund contracted health staff to handle medication administration. In the 2021-23 Biennial Budget, 2021 Wisconsin Act 58, the department included a $6 add-on to the daily rate to reduce the projected deficit. An add-on to the daily rate will continue until the deficit is retired. The juvenile population remained stable in fiscal year 2021-22, and the department utilized the current year surplus to help retire the overall overdraft. However, the continued implementation of 2017 Wisconsin Act 185 could decrease the juvenile population.

RECOMMENDATION: Approve the plan.

Department of Health Services

Appropriation 12800 [s. 20.435(1)(ja)], Congenital Disorders; Diagnosis, Special Dietary Treatment and Counseling, in the amount of $534,962. The net cash overdraft is $800,764, and there are accounts receivable of $265,802 that offset a portion of the overdraft.

The overdraft is the result of rising costs in the Newborn Screening Program, which screens for certain congenital health conditions and provides services to individuals with those conditions, as well as declining revenues from the fee that supports the program.

The program is funded primarily from the blood card collection form fee, which has not been increased since 2010. Due to declining births, revenues are projected to decline 3.7 percent per year in fiscal years 2023-24 and 2024-25 and by 2 percent in subsequent years.

To address the deficit, the department recommends pursuing an administrative rule change to increase the fee.

RECOMMENDATION: Approve the plan.

Appropriation 22500 [s. 20.435(2)(g)], Alternative Services of Institutes and Centers, in the amount of $11,551,083. The net cash overdraft is $13,222,316, and there are accounts receivable of $1,314,593 and capital assets of $356,640 that offset a portion of the overdraft. The fiscal year 2021-22 unsupported overdraft increased by $780,953 from the unsupported overdraft of $10,770,130 in fiscal year 2020-21.

The overdraft in this appropriation relates to the operations of the Northern Wisconsin Center. Since fiscal year 2004-05, the department has only operated an Intensive Treatment Program at the center for individuals with intellectual disabilities who live in the community. Under this program, counties and Family Care managed care organizations fund a portion of the costs (billed at an interim per diem rate) and the center receives Medicaid reimbursement for the remaining portion of eligible costs. Because cost settlements take several months to finalize, the department records a receivable in anticipation of reimbursement for the days of care billed.

The department has indicated the ongoing unsupported overdraft for the Northern Wisconsin Center is the result of several major factors, including the difference between the interim intensive treatment program daily rate and the actual cost per bed day at the center, declines in census that result in higher bed tax assessments than Medicaid reimbursement, and past accounting treatments of certain center costs and revenues. One interim daily rate, based on average costs, is applied to all of the department's state centers, but Northern Wisconsin Center's actual costs are significantly above the average costs due to its comparatively small size. As a result, Northern Wisconsin Center will always receive a cost settlement payment from Medicaid, because the final costs will be higher than revenues received through the interim rate. It is estimated that the center's cost settlement will average approximately $4 million per year due to the rate averaging. The settlement amount varies from year to year, causing the year-end deficit to vary. In addition, the center receives a Medicaid access incentive payment for each occupied bed, but pays the bed tax for all licensed beds, occupied or vacant. Due to Northern Wisconsin Center's vacancy rate, it does not receive sufficient access payments to cover the bed tax assessment.

The Medicaid practice of reimbursing centers for capital assets based on multiyear depreciation schedules has also contributed to the deficit. Centers incur the cost for vehicles or equipment but must run a cash deficit until the depreciation schedule is complete.

The department has submitted a plan that includes a 2017 Wisconsin Act 59 provision that allows the department to retain $1 million per year in GPR-Earned revenues to apply against the deficit.

RECOMMENDATION: Approve the plan.

Appropriation 26700 [s. 20.435(2)(kx)], Interagency and Intra-Agency Programs, in the amount of $6,442,731. The net cash overdraft is $5,215,030, and there are accounts receivable of -$1,227,701 that increase the overdraft. The fiscal year 2021-22 unsupported overdraft decreased by $248,419 from the unsupported overdraft of $6,691,150 in fiscal year 2020-21. The department indicated that the unsupported overdraft is the result of the costs of utilities and maintenance of common areas and vacant buildings at the Northern Wisconsin Center. The department has the responsibility for all campus power plant, maintenance, groundskeeping and snowplowing operations without base funding for the costs. Forty-six percent of the building square footage at the Northern Wisconsin Center is vacant, and not reimbursable by Medicaid.

The department has submitted a plan that indicates the department will continue to employ strategies identified in previous plans to address the deficit. The department will continue to seek approval from the Governor and the Joint Committee on Finance to use revenue from the future sale of surplus land on the Northern Wisconsin Center campus, valued at $3 million, to reduce the shortfall. In addition, the department recommends seeking authority in the biennial budget process to retain Medicaid reimbursements received by the State Centers for depreciation and interest costs that would otherwise lapse to the general fund as GPR-Earned and apply it to the deficit.

Further, beginning in fiscal year 2010-11, the department began allocating all utility and common area maintenance and grounds costs to the agencies that occupy campus facilities, including the Departments of Corrections, Military Affairs and Veterans Affairs. Previously, only the incremental costs were paid by the other agencies.

RECOMMENDATION: Approve the plan.

Department of Workforce Development

Appropriation 13600 [s. 20.445(1)(gd)], Unemployment Interest and Penalty Payments, in the amount of $49,201,480.

Unemployment insurance benefits generally are paid out of the unemployment insurance trust fund. The fund is supported by unemployment insurance taxes paid quarterly by most employers, but "reimbursable employers" reimburse the fund as benefits are paid to former employees of the reimbursable employer. Under 2019 Wisconsin Act 185 and 2021 Wisconsin Act 4, benefits related to the COVID-19 pandemic were paid on a one-time basis from the department's unemployment interest and penalties appropriation instead of the fund. The acts specified that pandemic-related benefits for benefit weeks beginning after March 12, 2020, and before March 14, 2021, must be charged to the appropriation instead of the fund, shifting the burden of benefit payments off of reimbursable employers. The appropriation is funded from assessments on employers and beneficiaries related to underpayments, overpayments, falsifying information, misclassification and other violations of law. Generally, expenditures only cover certain unemployment insurance benefits and administrative costs.

The appropriation typically has a surplus, because historically, revenues have exceeded expenditures by at least $2 million in each fiscal year. However, the significant one-time payment of reimbursable employer unemployment insurance benefits from the appropriation caused expenditures to exceed both the existing surplus and fiscal year 2021-22 revenues, resulting in an overdraft. The department's overdraft plan is to maintain prepandemic levels of revenues and expenditures in fiscal year 2022-23 and thereafter. Excess revenues will reduce the appropriation's deficit over time until the overdraft is eliminated in approximately 24 years.

RECOMMENDATION: Approve the plan.

Department of Justice

Appropriation 23000 [s. 20.455(2)(i)], Penalty Surcharge, Receipts, in the amount of $27,697,330. This is an increase of $4,681,816 from the fiscal year 2020-21 closing deficit balance of $23,015,514.

The Department of Justice notes that revenues from the penalty surcharge are appropriated in six state agencies across 15 appropriations. Beginning under 2015 Wisconsin Act 55, in order to reduce the deficits of both the justice information fee in the Department of Administration and the penalty surcharge receipts appropriations, the penalty surcharge receipts have been utilized to fund the court interpreters appropriation under s. 20.625(1)(k) in the amount of $232,700, while the funding for the crime laboratory equipment and supplies appropriation under s. 20.455(2)(jb) is now funded by the DNA surcharge, rather than penalty surcharge, in the amount of $558,100 annually. While those changes reduced obligations to the fund, expenditures by other appropriations have increased, negating the effort to reduce the deficit. The department indicates that without significant changes in either appropriated amounts or increased surcharges, the deficit is expected to continue. The department plans to continue to advocate for approaches to reduce demand on this appropriation.

RECOMMENDATION: Approve the plan and continue to review the allocation of penalty surcharge receipts to determine the most appropriate use of the funds and reduce the deficit.

Appropriation 28100 [s. 20.455(2)(kv)], Grants for Substance Abuse Treatment Programs for Criminal Offenders, in the amount of $1,531,783. This is a decrease of $40,338 from the fiscal year 2020-21 deficit balance of $1,572,121. The appropriation was originally created under the Department of Administration in the 2005-07 Biennial Budget and was transferred to the Department of Justice under 2013 Wisconsin Act 20. It provides grants to counties for substance abuse treatment programs. Revenues are collected from fines on those convicted of manufacturing or distributing a controlled substance.

For fiscal years 2007-08, 2008-09 and 2009-10, the only revenues for this appropriation consisted of drug offender surcharges. Beginning in fiscal year 2007-08, the first $850,000 of revenues collected for the drug abuse surcharges were to be deposited to a Department of Health Services appropriation and any revenues between $850,000 and $1,275,000 were to be deposited to the Department of Administration appropriation 622. This appropriation was transferred to the Department of Justice in fiscal year 2013-14. Any drug abuse surcharge revenues that exceed $1,275,000 for the year are to be split one-third to the Department of Justice appropriation 28100 and two-thirds to the Department of Health Services appropriation under s. 20.435(5)(gb). However, during fiscal year 2009-10, there were less than $520,000 in drug abuse surcharge revenues, and all were deposited to the Department of Health Services appropriation. Starting with fiscal year 2009-10, the budget for this appropriation was reduced to $7,500 with no new grant commitments. With this change, the revenues in fiscal year 2010-11 through fiscal year 2020-21 exceeded expenditures. The department plans to continue to not expend funds from this appropriation. However, it will take time to eliminate the unsupported overdraft that had accumulated over several years. At current revenue levels, the deficit will remain through fiscal year 2060-61. The department has requested a further reduction in expenditure authority in its 2023-25 biennial budget request.

RECOMMENDATION: Approve the plan and continue to review fund balances within the department for potential reallocation to address the deficit.

Department of Military Affairs

Appropriation 13300 [s. 20.465(1)(Li)], Gifts and Grants, in the amount of $3,050,784. The net cash overdraft is $3,070,944, and there are accounts receivable of $20,160 that offset a portion of the overdraft.

The Department of Military Affairs incurred costs between March 2020 and June 2020 for a State Active Duty mission to assist with COVID-19 testing statewide. At that time the costs were to be covered with CARES funding received by the State of Wisconsin. In January 2021, the federal government changed its guidance, making all State Active Duty activities eligible for 100 percent reimbursement through the Federal Emergency Management Agency's (FEMA) Disaster program. The department has submitted the claim to FEMA under the DR-4520 disaster declaration, and it is currently under review by FEMA.

RECOMMENDATION: Approve the plan.

Appropriation 35000 [s. 20.465(3)(mb)], Federal Aid, Homeland Security, in the amount of $3. The net cash overdraft is $865,669, and there are accounts receivable of $865,666 that offset a portion of the overdraft.

The Department of Military Affairs indicated that a cost was charged to a closed federal grant. The charge was moved to the correct appropriation on September 27, 2022.

RECOMMENDATION: Approve the plan.

Department of Administration

Appropriation 12300 [s. 20.505(1)(id)], Justice Information Fee Receipts, in the amount of $9,911,674. This is an increase of $2,040,946 from the fiscal year 2020-21 deficit balance of $7,870,728.

Revenues for this appropriation come from assessments for the commencement or filing of certain civil court proceedings, including large claims, small claims forfeitures, garnishments, municipal court appeals or other claims. The current surcharge is $21.50. Of this amount, $6.00 is appropriated to the Court System for the operation of circuit court automated information systems (CCAP). The remaining revenues are distributed to other appropriations in the Departments of Justice and Corrections, and the Circuit Courts. Beginning with 2011 Wisconsin Act 20, the Department of Administration is also required to lapse $700,000 of surcharge revenue in each fiscal year to the general fund.

Under 2015 Wisconsin Act 55, the justice information fee revenue transfer to support the court interpreters appropriation under s. 20.625(1)(k) was eliminated, reducing the future annual obligation of the fee revenue by $232,700. In addition, Act 55 required that the unencumbered balances of each recipient appropriation be transferred to the justice information appropriation under s. 20.505(1)(id). In September 2015, $1,527,075 in unencumbered balances were returned to the appropriation, reducing the fiscal year 2015-16 deficit. The unencumbered balances returned to the appropriation for fiscal year 2016-17 totaled $248,309, fiscal year 2017-18 totaled $267,362, fiscal year 2018-19 totaled $395,121, fiscal year 2019-20 totaled $222,926 and fiscal year 2020-21 totaled $94,468. Despite the ongoing transfer of those balances to s. 20.505(1)(id), the continuing imbalance between surcharge collections and required transfers will continue to increase the deficit. The department states that additional legislative changes to the transfer to the general fund and the appropriations supported by the justice information fee will be required to address the deficit.

In an executive session for the 2021-23 Biennial Budget on June 10, 2021, the Joint Committee on Finance approved converting $1,000,000 PR annually in justice information fee-funded Treatment Alternative and Diversion grants to $1,000,000 GPR annually. When the committee's substitute amendment was drafted, this adopted provision was excluded and was not a part of the final budget. This item could be considered in future budgets.

RECOMMENDATION: Approve the plan and continue to review the allocation of justice information fee receipts to determine the most appropriate use of the funds and reduce the deficit.

Appropriation 12800 [s. 20.505(1)(im)], Services to Nonstate Governmental Units; Entity Contract, in the amount of $159,268, which includes accounts receivable of $2 and capital assets of $260,060 that offset a portion of the net cash overdraft of $419,330. The fiscal year 2021-22 unsupported overdraft decreased by $221,765 from the unsupported overdraft of $381,033 in fiscal year 2020-21.

Revenues for this appropriation come from two main sources. The first are fees related to the garnishment of employee earnings pursuant to s. 16.53(1)(d), for garnishment actions prescribed under s. 812.42. Wage garnishment expenditures are generally equal to revenues each fiscal year, and the department plans to continue evaluating the alignment of work effort and fee revenues. The second main source of revenue are fees charged for the State Vanpool Program. Where the appropriation was previously used for other programs, such as wiring school district facilities with data lines, the appropriation is now primarily used for vanpool and wage garnishment operations.

The State Vanpool Program is operated by the Bureau of Enterprise Fleet within the Division of Facilities and Transportation Services. Under s. 16.82(5), the department is required to operate a group transportation program. Group transportation is provided for with a fee which recovers the full cost of administration, maintenance, operation, insurance and depreciation of the assets of the program. Factors including the number of vanpools, number of riders, and fixed and variable costs affect the fees.

Ridership within the vanpool program declined between 2017 and 2019, from 686 to 596 riders. The pandemic, however, has caused a sudden and dramatic decline in ridership, to 74 riders in 2021. The decline in riders resulted in a 73.5 percent decline in fees from fiscal year 2017-18 to fiscal year 2020-21. There has been a slight increase in 2022 from 2021, to 84 riders, but the department anticipates a long-term or permanent decline in the use of vanpool by employees and other commuters. The department has reduced the fleet size from 58 vans in 2021 to 15 vans in 2022. The reduction in ongoing van maintenance expenditures and one-time revenues from the sale of vans has improved the program's position. Even with these changes, the long-term reduction of vanpool usage will necessitate a modified services model and fleet size, the structure of which is under evaluation by the division and department.

RECOMMENDATION: Approve the plan.

Appropriation 13400 [s. 20.505(1)(kb)], Transportation and Records, in the amount of $1,960,927. The net cash overdraft is $28,391,559, and there are accounts receivable of $1,033,860 and capital assets of $25,396,772 that support a portion of the overdraft. The fiscal year 2021-22 unsupported overdraft increased by $1,130,758 from the unsupported overdraft of $830,170 in fiscal year 2020-21.

This appropriation funds transportation and records operations, including Central Fleet, Enterprise Fleet Management, Wisconsin Air Services, State Records Center and Mail Transportation Services. Revenues that the appropriation receives come from fees charged for the various services. Mail Transportation Services and Enterprise Fleet Management currently maintain a positive or net-zero program position; however, the others have an operational deficit, in part, as a result of the COVID-19 pandemic. As part of its plan, the department indicated that it will continue to evaluate these services and the changing use by and needs of state agencies and may adjust cost allocation methodologies as needed.

The Central Fleet Program provides short- and long-term leased vehicles to state employees for work-related travel, and various rates are charged depending on factors such as the type and duration of the lease with mileage add-ons. The program has typically recovered costs sufficient to cover all expenses and end with a net gain for the appropriation. However, the use of Central Fleet dropped considerably since the pandemic, from 19.2 million miles driven in 2019, to an annual average of 11.4 million between 2020 and 2022. While the fleet had historically provided positive support to the appropriation through assets and equipment, revenues have declined. The department has stated that revenues are beginning to increase as of fiscal year 2021-22, up 5.6 percent since fiscal year 2020-21, with a net gain in operations of $839,469. However, due to lower levels of assets and equipment used to support the program position, the ending balance of fiscal year 2021-22 was a net loss of -$1,086,152. The department states it will continue to evaluate the structure, fleet size and rate schedules to resolve this.

Wisconsin Air Services maintains the State's fleet of work aircraft for law enforcement, fire protection and resource management for the Department of Natural Resources and Department of Transportation. The program has operated at a net loss since at least fiscal year 2017-18 due to the lack of recovery of the full operational costs and depreciable values of the fleet aircraft. This has been further exacerbated by the pandemic when flights were reduced by approximately half. The program ended with a negative balance of nearly $7 million in fiscal year 2020-21, prompting a change in the cost recovery methodology. Cost recovery had once only been charged based on miles flown or at a per flight hour basis; however, that method did not recover the depreciation values of the aircraft. The new cost recovery method for the airplanes is now related to annual operating costs for the airplanes including maintenance and depreciation, using a two-year cost recovery model. This has resulted in a 188 percent increase in fiscal year 2021-22 revenues compared to the prior year. However, after accounting for the prior year deficit and a reduction in equipment and assets that can be used to support the deficit, the ending balance of fiscal year 2021-22 was -$7.4 million. In addition to the newly instituted cost recovery method, the department states it will continue to evaluate the transport aircraft consumption as the COVID-19 impacts are lessened and new utilization trends are understood.

The State Records Center program has also operated at a loss since at least fiscal year 2017-18 due to rates not fully covering the cost of operations, which resulted in a negative ending balance of -$335,868 in fiscal year 2020-21. The department subsequently analyzed costs and revenues and raised rates to meet the expenses. While the ending balance of fiscal year 2021-22 was still negative at -$118,598, this included a net gain of $147,270.

RECOMMENDATION: Approve the plans.

Appropriation 13800 [s. 20.505(1)(kd)], Enterprise Resource Planning System, in the amount of $45,343,248. The total cash overdraft is $66,981,334, and there are capital assets of $21,638,086 that offset a portion of the overdraft. The fiscal year 2021-22 unsupported overdraft decreased by $1,697,163 from the fiscal year 2020-21 unsupported overdraft of $47,040,411. By the end of fiscal year 2020-21, the department finalized the initial STAR Project implementation at a total cost over a nine-year period of $131,658,510, consisting of total direct costs of $119,995,160, master lease interest paid of $19,510,664, estimated future master lease interest of $5,811,580 and downward master lease adjustment of $13,658,895.

The department was directed to implement and maintain the integrated business information system (IBIS) pursuant to s. 16.971(2)(cf). After the initial system implementation was put on hold in April 2008 and maintenance payments suspended in May 2011, the Department of Administration opted to move forward in fiscal year 2012-13 with an enterprise resource planning system and announced the State Transforming Agency Resources (STAR) Project. In fiscal year 2015-16, the department implemented the project's financial module (Release 1) and human resources/payroll module (Release 2). In addition, the department implemented the STAR financial module for the Department of Transportation (Release 3).

With the deployment of STAR Releases 1 and 2 in fiscal year 2015-16, the department began incurring postdeployment maintenance and operations costs for the system. These costs began to be recovered from agencies starting in fiscal year 2015-16 and annually thereafter. As such, the maintenance and operations costs do not contribute to the deficit in this appropriation. In fiscal year 2021-22, the department assessed agencies $19,645,866 for STAR operations and maintenance, including $18,245,665 for standard STAR operations and maintenance, $732,961 for operations and maintenance of the Cornerstone learning management system, and an upward adjustment of $667,240 for prior year costs that exceeded estimates.

The STAR Project development costs began to be recovered through an annual assessment to state agencies beginning in fiscal year 2017-18. The department assessed agencies $7,127,792 in fiscal year 2021-22 for STAR project development costs, which represented 100 percent of the annual amount necessary to fully recover project and financing costs of the project.

The department will continue to annually assess state agencies for ongoing operations and maintenance costs and to fully collect project and financing costs over the total period of 19 years. In addition, the department plans to continue to assess agencies for previously unrecovered costs incurred from the IBIS project. The department continues to assess agencies in the amount of $591,212 annually, which represents 100 percent of the annual amount necessary to fully recover the remaining balance over the remaining 15-year period.

RECOMMENDATION: Approve the plan.

Appropriations 84500 and 84600 [s. 20.505(8)(jn)], General Program Operations; Raffles and Bingo, in the amount of $278,306. The fiscal year 2021-22 unsupported overdraft increased by $49,419 from the fiscal year 2020-21 unsupported overdraft of $228,887.

Revenues for this appropriation come from bingo and raffle licenses, fees and taxes. Of the two methods of charitable gaming — bingo and raffles — revenues from bingo licenses, fees and taxes have been in decline for over a decade, although revenues increased in fiscal year 2021-22. In fiscal year 2017-18, bingo revenues totaled $312,157 compared to $89,881 in fiscal year 2020-21 and $179,842 in fiscal year 2021-22. Despite the increased revenues and actions taken by the department to more accurately attribute costs to each program, the negative balance grew to -$288,834 in fiscal year 2021-22. Conversely, the licenses, fees and taxes collected for raffle gaming have fluctuated less significantly over the same period, from $294,164 in fiscal year 2017-18 to $275,579 in fiscal year 2020-21 and $294,228 in fiscal year 2021-22. The closing balance in the raffle appropriation was $10,528 in fiscal year 2021-22.

After conducting a time study to refine the estimated costs assignable to each gaming appropriation, the department proposed in its 2021-23 biennial budget request to modify staff allocation and merge the bingo and raffle appropriations. The proposal was included in the final budget. The department states the greater flexibility will allow for more effective financial management, and it will continue to evaluate opportunities to address the current overdraft as part of the 2023-25 Executive Budget process.

RECOMMENDATION: Approve the plan.

Information Technology Investment Fund

Appropriation 16000, Information Technology Investment Fund – Special Projects, in the amount of $2,488,948. The unsupported overdraft decreased by $25,000 from the fiscal year 2020-21 unsupported overdraft of $2,513,948. The funding source to repay a one-time loan from the general fund was eliminated in fiscal year 2001-02, leaving the appropriation with a deficit. The Department of Administration has used various excess revenues to make payments towards the reduction of this deficit and continues to do so.

RECOMMENDATION: Approve the plan.

Fiscal Year 2022 Program Revenue and Related Segregated Revenue Overdraft Review
Unsupported Overdrafts

Agency	Fund	Appr	Prgm Alpha	Appropriation Description	FY2022 Unexpended Closing Balance	Agency Asserted Support for Overdraft: Accounts Receivable	Inventory	Capital Assets Net of Master Lease	Total Support For Overdraft	Unsupported Overdraft	
11500	S100	12200	(1)(H)	Grain Inspection and Certification	(665,806)	29,749	0	0	29,749	(636,057)	
11500	S100	23400	(2)(J)	Dog Licenses, Rabies Control, and Related Services	(70,206)	0	0	0	0	(70,206)	
41000	S100	32300	(3)(HM)	Juvenile Correctional Services	(6,047,128)	3,158,680	0	0	3,158,680	(2,888,448)	
43500	S100	12800	(1)(JA)	Congenital Disorders; Diagnosis, Special Dietary Treatment and Counseling	(800,764)	265,802	0	0	265,802	(534,962)	
43500	S100	22500	(2)(G)	Alternative Services of Institutes and Centers	(13,222,316)	1,314,593	0	356,640	1,671,233	(11,551,083)	
43500	S100	26700	(2)(KX)	Interagency and Intra-agency Programs	(5,215,030)	(1,227,701)	0	0	(1,227,701)	(6,442,731)	(*)
44500	S100	13600	(1)(GD)	Unemployment Interest and Penalty Payments	(49,201,480)	0	0	0	0	(49,201,480)	
45500	S100	23000	(2)(I)	Penalty Surcharge, Receipts	(27,697,330)	0	0	0	0	(27,697,330)	
45500	S100	28100	(2)(KV)	Grants for Substance Abuse Treatment Programs for Criminal Offenders	(1,531,783)	0	0	0	0	(1,531,783)	
46500	S100	13300	(1)(Li)	Gifts and Grants	(3,070,944)	20,160	0	0	20,160	(3,050,784)	
46500	S100	35000	(3)(MB)	Federal Aid, Homeland Security	(865,669)	865,666	0	0	865,666	(3)	
50500	S100	12300	(1)(ID)	Justice Information Fee Receipts	(9,911,674)	0	0	0	0	(9,911,674)	
50500	S100	12800	(1)(IM)	Services to Nonstate Governmental Units; Entity Contracts	(419,330)	2	0	260,060	260,062	(159,268)	
50500	S100	13400	(1)(KB)	Transportation, Records, and Document Services	(28,391,559)	1,033,860	0	25,396,772	26,430,632	(1,960,927)	
50500	S100	13800	(1)(KD)	Enterprise Resource Planning System	(66,981,334)	0	0	21,638,086	21,638,086	(45,343,248)	
50500	S100	84500 84600	(8)(JM)	General Program Operations; Raffles and Bingo	(278,306)	0	0	0	0	(278,306)	
87000	S280	16000	(1)(Q)	Information Technology Investment Fund	(2,488,948)	0	0	0	0	(2,488,948)	
					(216,859,607)	**5,460,811**	**0**	**47,651,558**	**53,112,369**	**(163,747,238)**	

(*) Receivables are used to reflect the actual unsupported overdraft for Northern Wisconsin Center (NWC) campus deficit.

State of Wisconsin
Governor Tony Evers

Department of Agriculture, Trade and Consumer Protection
Secretary Randy Romanski

Date: November 22, 2022

To: Brian Pahnke, State Budget Director
Department of Administration

From: Jason Gherke, Finance Director
Department of Agriculture, Trade and Consumer Protection

Subject: FY22 Program Revenue Overdraft Report

The FY22 Program Revenue Overdraft Report identified two Department of Agriculture, Trade and Consumer Protection (DATCP) appropriations as having unsupported overdrafts. As required by s.16.513, DATCP is submitting our plan to resolve the unsupported deficits.

The unsupported overdraft in appropriation s.20.115 (1)(h), grain inspection and certification, was $636,057 at the end of FY22. The total cash overdraft was $665,806; and there were accounts receivable of $29,749. The unsupported overdraft increased by $254,202 from the FY21 unsupported balance of $381,855. In FY22, collected revenue was $929,797; expenditures were $1,170,090.

As required by s.16.56, DATCP will continue to lapse any remaining GPR balances at fiscal year-end to reduce the deficit in the appropriation. In FY22, DATCP transferred $314,227 from unencumbered balances in our GPR general operations appropriations to the grain inspection appropriation.

DATCP also had an unsupported overdraft in appropriation s.20.115 (2)(j), dog licenses, rabies control, and related services. The beginning FY22 unsupported balance was $412,960, collected revenue totaled $752,573 which included a one-time revenue transfer in of $450,000 as required by 2021 Wisconsin Act 58 and expenditures were $409,819, leaving an unsupported overdraft of $70,206 in the appropriation.

Beginning on September 1, 2022, new license fees were implemented in appropriation s.20.115 (2)(j), dog licenses, rabies control, and related services, and DATCP anticipates additional revenue will be collected to support program expenditures and reduce the unsupported overdraft.

If you have any questions regarding DATCP's plan to address these appropriation overdrafts, please contact me at 608.224.4748.

FORWARD

Wisconsin Department of Corrections

Governor Tony Evers | Secretary Kevin A. Carr

Date: September 23, 2022

To: Brian Pahnke, Director
Division of Executive Budget & Finance
Department of Administration

From: Kevin A. Carr, Secretary
Department of Corrections KAC

Subject: §16.513 – Juvenile Correctional Services Deficit

Pursuant to §16.513 Wisconsin Statutes, the Department of Corrections (DOC) submits its plan to address an unsupported overdraft in the appropriation under §20.410(3)(hm), Juvenile Correctional Services, for FY22.

Background:

The DOC ended FY22 with a year-end deficit of ($6,047,100) Program Revenue (PR) in its juvenile correctional services appropriation. The unsupported overdraft at the end of FY22, including the inventory/receivables coverage, was ($2,888,400). The funding in this appropriation is utilized by the Department's Division of Juvenile Corrections (DJC) to operate Type 1 juvenile correctional facilities (JCF).

As reported in prior §16.513 overdraft reports relative to this appropriation, JCFs experienced declining populations between FY16 and FY21 which resulted in reduced revenues available for JCF operations. At the same time, the JCFs were also incurring expenditures that were either unbudgeted or under-budgeted, such as paying for contracted healthcare staff to handle medication administration. As a result of these factors, the juvenile correctional services appropriation has carried a negative year-end balance for several years.

In FY22 the Department has been successful in significantly reducing the juvenile correctional services appropriation deficit. This occurred from a combination of the Department's revenues exceeding expenditures, and the inclusion of a $6/day rate add-on that was included in the JCF daily rate to reduce the projected JCF operations deficit. This add-on is also incorporated into the FY23 JCF daily rate.

Plan of Action:

With the inclusion of the $6 add-on in the JCF daily rate and the on-going ability to transfer surplus funds from two other appropriations, the Department expects that most or all of the FY22 year-end deficit will be eliminated by the end of FY23. The Department plans to continue to review juvenile correctional facility operations with the intent to further contain expenses and retire the juvenile correctional services deficit.

Prepared by: Dawn Woeshnick, Bureau of Budget and Facilities Management
(608) 240-5417

FY22 FUND CONDITION STATEMENT
§20.410(3)(hm) – Juvenile Correctional Services

REVENUES	FY22
Opening Balance (July 1)	($18,329,100)
Total Revenue	$38,328,200
EXPENDITURES	
Total Expenditures	$26,046,200
Closing Cash Balance	($6,047,100)

State of Wisconsin
Department of Health Services
Tony Evers, Governor
Karen E. Timberlake, Secretary

September 28, 2022

Brian Pahnke
State Budget Director
Department of Administration
101 East Wilson Street
Madison, WI 53702

Dear Mr. Pahnke:

The Department of Health Services ended FY 22 with unsupported cash deficits in three program revenue appropriations. Attached is the Department's plan for addressing the deficits.

The three appropriations are:

- Appropriation s. 20.435(2)(kx), Wis. Stats. – Interagency and Intra-Agency Programs, ended with an unsupported overdraft of $6,442,730.09
- Appropriation s. 20.435(2)(g), Wis. Stats. – Alternate services of institutes and centers, ended with an unsupported cash overdraft of $11,551,082.54
- Appropriation s. 20.435(1)(ja), Wis. Stats. – Congenital disorders, ended with an unsupported cash overdraft of $534,962.00.

Please contact me if you have any questions about this plan.

Sincerely,

Karen E. Timberlake
Secretary-designee

Appropriation 267 – Inter/Intra Agency Operations

The appropriation, s. 20.435(2)(kx), Wis. Stats. – Inter/Intra Agency Operations, ended FY 22 with an unsupported overdraft of $6,442,730.09. The unsupported overdraft is the result of costs for utilities and maintenance of common areas and vacant buildings at Northern Wisconsin Center (NWC). In prior years, these costs were reimbursable by the Medicaid program when DHS operated a large long term care residential program for people with disabilities. Since FY 05, the Department has operated only a small, short term care unit, and as a result, a significant portion of campus costs are no longer Medicaid reimbursable.

At the same time the DHS program has decreased, other agencies have increased their presence at NWC. The Department of Corrections, Military Affairs, and Veterans Affairs programs represent roughly 97% of clients served and 63% of employees on campus. These agencies occupy 34% of the building space, compared to 20% for DHS programs. Vacant and mothballed buildings comprise 46% of the building square footage.

Despite its small campus "footprint," DHS still has the responsibility for all campus power plant, maintenance, grounds keeping, and snowplowing operations. It has no base funding for these costs. Beginning in FY 11, DHS began to allocate all utility and common area maintenance and grounds keeping costs incurred each year to state agencies on the Northern Center campus on a proportional basis.

DHS recommends two strategies to eliminate the deficit. First, the Department recommends applying the proceeds from future sales of surplus land on the campus towards the deficit. In April 2022, DHS accepted an offer to purchase five parcels of land on the Northern Center campus. This sale, worth $2,330,000, is expected to close in FY 23. DHS has the authority to sell surplus land under s. 51.05(6), Wis Stats. Under this statute, any proceeds received would be deposited in the appropriation under s. 20.435(2)(gk), Wis. Stats. To access the proceeds, the Department must seek approval from the Joint Committee on Finance under s. 13.101(17), Wis. Stats.

To further reduce the accumulated deficit, DHS recommends seeking authority in the biennial budget process to retain Medicaid reimbursements received by the State Centers for depreciation and interest costs that would otherwise lapse to the General Fund as "GPR-earned" and apply it to the Northern Center campus deficit. In FY22, DHS generated $5.6 million in GPR-earned revenue from the State Centers. DHS recommends seeking authority through the biennial budget process to retain sufficient revenue to eliminate the accumulated deficit and to cover future unreimbursed campus costs.

Appropriation 225 – Alternate services of institutes and centers

This appropriation, s. 20.435(2)(g), Wis. Stats., ended FY 22 with an unsupported cash overdraft of $11,551,082.54. This overdraft relates to operations of the Northern Wisconsin Center for People with Intellectual Disabilities (NWC) in numeric appropriation 225.

The Department operates three State Centers, which are state licensed and federally certified intermediate care facilities for people with intellectual disabilities (ICF-ID) and receive full cost reimbursement for all Medicaid-eligible costs. Northern Wisconsin Center operates only an Intensive Treatment Program (ITP) that provides short term services to people with intellectual disabilities who live in the community. Counties and Family Care managed care organizations (MCOs) fund a portion of the cost of their consumers in the ITP program, because they are responsible for funding services for the individuals while in the community. NWC receives reimbursement for the remaining portion of Medicaid eligible costs from the Medicaid program.

At the beginning of the year, the Center establishes an interim per diem rate, with which it bills counties, MCOs, and the Medicaid program for consumers admitted to the ITP. After the close of the rate year, the Department prepares a cost settlement report based on all actual costs for the rate year and makes an additional Medicaid claim for the difference between the amounts claimed through the interim rate and the full allowable Medicaid costs. The Department typically finalizes the cost settlement nine to twelve months after the close of the fiscal year. The Department records a receivable for days of care billed under the interim rate but not reimbursed by the end of the fiscal year; it does not record any receivable for the Medicaid settlement, which can be positive or negative.

Below is a summary of the other major factors behind the deficit:

- All three State Centers operate ITP programs. Each year, the Department establishes one ITP daily rate for the three programs, based on their average costs. The uniform rate is important so that counties and MCOs choose the ITP program based on the needs of their consumers rather than cost. NWC's actual cost per bed day is significantly above the average cost reflected in the interim ITP rate, because of its small size. The uniform ITP rate was $1,410 per day in FY 22; NWC's actual FY 21 cost per day was $2,076. Consequently, NWC will always receive a cost settlement payment from Medicaid, because the final costs will be higher than revenues received through the interim rate. It is estimated that NWC's cost settlement will average approximately $4.0 million per year due to the rate averaging; the settlement amount varies from year to year, causing the year-end deficit to vary also.

- The Centers do not receive Medicaid reimbursement for the state ICF-ID bed tax they are required to pay under s. 50.14(2)(bm), Wis. Stats. The Department deposits bed tax revenues from all facilities into the Medicaid Trust Fund, where they are matched with Medicaid FED and used to fund Medicaid benefits. At the same time, the Department makes a Medicaid access incentive payment to all ICFs (using GPR and FED) that, in total, approximately equals the bed tax paid by all facilities statewide. To comply with federal requirements, the access payment is a fixed amount per Medicaid bed day for all facilities. Because the access payment is a fixed amount per bed, facilities with a large number of vacant beds will pay more in assessments than they receive back in access payments. Facilities with an occupancy rate of 90.5% or more receive access payments greater than bed tax paid. In recent years, Northern Center has had occupancy rates below 90.5% due to declines in its census. The following table summarizes bed tax losses from each center since the beginning of the tax through FY 22.

Bed Tax Losses FY 04 through FY 22	
Northern Center	$1,884,892
Central Center	$4,589,958
Southern Center	$1,886,332
Total	$8,361,182

- States can claim Medicaid reimbursement for depreciation and debt service costs for buildings and other capital assets used to provide Medicaid services. Following state budget procedures, the Department calculates these amounts and then lapses them to the General Fund as "GPR-earned." The Department then claims Medicaid funds for these costs. The lapse is required on the basis that the state initially funds construction and debt service costs with GPR through the Capital Budget, and therefore the agency should return the Medicaid reimbursement to the General Fund. Over the past several years, not all of the Centers' depreciation and debt service costs were Medicaid reimbursable. However, the Department has lapsed to the General Fund all depreciation and debt service costs, not just the Medicaid reimbursed amounts. For dates of service after FY 12, the Department subtracts Medicaid disallowed claims from the amounts it lapses as GPR-Earned. Similarly, the Department has lapsed Medicaid reimbursement for depreciation for capital asset expenditures funded from the Centers' PR appropriations under (2)(g) and (2)(gk). Under Medicaid rules, the Centers must initially incur the expense and then are reimbursed by Medicaid over time according to depreciation schedules. The Department should have retained these depreciation reimbursements in the Centers appropriations to cover the initial capital costs. For FY 14 forward, the Department will not lapse Medicaid depreciation reimbursements for capital costs paid from the Centers appropriations. The following table summarizes amounts lapsed to GPR-Earned in excess of Medicaid reimbursement.

Excess GPR-Earned Lapses		
	Depreciation Overlapses for PR-funded Assets for FY 06-FY 13	Over-Lapse Amounts Associated with Disallowed Property Costs: FY 02-FY 13
Northern Center	$458,633	$3,336,033
Central Center	$1,731,556	
Southern Center	$2,141,501	
Total	**$4,331,691**	**$3,336,033**

Plan for Reducing the Deficit

The biennial budget, beginning with the 2017-19 biennial budget, provides that the Department will retain $1,000,000 per year in current year GPR-earned revenues to apply against the appropriation (2)(g) deficit. In FY22, DHS generated $5.6 million in GPR-earned revenue from the State Centers. DHS recommends seeking authority through the biennial budget process to retain a larger amount of GPR-earned revenues to reduce the deficit more quickly in the coming years.

Appropriation 128 – Congenital Disorders

The appropriation, s. 20.435(1)(ja), Wis. Stats. – Congenital Disorders, ended FY 22 with an unsupported overdraft of $534,962.00. The unsupported overdraft is the result of rising costs for screening newborns for certain congenital health conditions and services to individuals with those conditions, as well as declining revenues from the fee that supports the program.

The Department of Health Services (DHS) Newborn Screening Program (NBS) ensures screening, diagnosis, and treatment of all Wisconsin newborns for certain congenital conditions. The Wisconsin State Lab of Hygiene is responsible for the laboratory component of newborn blood screening. DHS contracts with providers for special dietary treatment and other services to individuals identified with a congenital disorder. The NBS program is required under s. 253.13 and 253.115, Wis. Stats.

The NBS program is funded almost entirely by program revenue from the blood card collection form fee. This fee has not been increased since 2010. The current fee for the NBS card – $109 – is set in Wis. Admin. Code DHS 115.055 and has been established to "cover the costs of testing and to fund follow-up services and other activities under s. 253.13 (2), Wis. Stats." NBS cards are purchased from the Wisconsin State Lab of Hygiene (WSLH) by hospitals, who bill patients' insurance for the cost. Revenues from the fee cards is shared between WSLH and DHS. The WSLH receives 53.7% of the card fee for newborn screening laboratory operations and DHS receives 46.3% for newborn screening program operations.

Due to declining births, revenues are projected to decline by 3.7% per year in FY 24 and FY 25, based on trends over the past four years and by 2% in subsequent years. In addition, DHS costs are projected to increase by 11% from FY 22 to FY 23 and by 2% in subsequent years. Over the past 12 years, four conditions have been added to the mandatory screening panel with no corresponding increase in fees to cover the attendant costs of further diagnosis and treatment for infants who screen positive.

Plan for Reducing the Deficit

To address the deficit, the Department recommends pursuing an administrative rule change to increase the fee or GPR funding for the program through the 2023-25 biennial budget process.

From: Moe, Tami A - DWD <Tami.Moe@dwd.wisconsin.gov>
Sent: Friday, September 16, 2022 4:23 PM
To: DOA DEBF Audit Services <DOADEBFAuditServices@wisconsin.gov>
Cc: Zehner, Christy L - DWD <ChristyL.Zehner@dwd.wisconsin.gov>; Lange, Lorie - DWD (Finance) <Lorie.Lange@dwd.wisconsin.gov>; Vang, Kailee - DWD <Kailee3.Vang@dwd.wisconsin.gov>; Daniel, Kathleen S - DWD <kathleens.daniel@dwd.wisconsin.gov>; Moyer, Diane - DWD <Diane.Moyer@dwd.wisconsin.gov>; Jarstad, Lynda - DWD <lynda.jarstad@dwd.wisconsin.gov>; Reed, Kathleen M - DWD <kathleen.reed@dwd.wisconsin.gov>
Subject: Overdraft Report for DWD

Attached are the files for the Overdraft Reports for DWD

Appn 13600 is the only appropriation with an unsupported overdraft. The plan for how the cash balance will be brought into a positive balance is also included.

Please let me know if you have any questions.

Thank you.

Tami Moe, Finance Director
Bureau of Finance
Department of Workforce Development
Phone: 608-261-4582
Fax: 608-267-7952

Unsupported Overdraft Plan for Appropriation 13600

Appropriation 20.445(1)(gd) – Numeric 13600 - Unemployment Interest and Penalty Payments

State Fiscal Year 2022 Closed Balance Continuing on the Annual Appropriation Certification: ($49,201,480.18)

The types of revenue collection allowed are described under 20.445(1)(gd). They consist primarily of interest and penalties paid by employers and UI claimants. The expenditures charged to this appropriation are payments for specified unemployment benefits and administrative functions. The benefits are paid out of the UI Trust Fund and then reimbursed out of appropriation 13600.

In the years prior to state fiscal year 2022, revenues have exceeded expenditures resulting in an increasing cash balance. At the beginning of state fiscal year 2022, the beginning cash balance was $17.4 million.

2019 Wisconsin Act 185 provided that certain unemployment compensation benefits initially paid from the UI Trust Fund during the COVID-19 pandemic would be recharged to (1)(gd) to support those employers using reimbursement financing and, simultaneously, the UI Trust Fund. The expenditures recharged to appropriation 13600 based on this recharging activity totaled $69,802,017.33. This large, one-time expenditure activity resulted in the negative Closed Balance Continuing amount on the Annual Appropriation Certification of ($49,201,480.18).

The revenues to get the appropriation into a positive balance will continue to come from the interest and penalty payments made by employers and UI claimants. The typical expenditures for specified unemployment benefits and administrative functions will also continue each year. Below is the history of the revenues and expenditures in this appropriation over the last decade, which shows the trends in the cash balance over time. The numbers are taken from the Annual Appropriation Certification form.

Fiscal Year	Revenues	Expenditures	Difference
2012	$4,133,007	$798,429	$3,334,578
2013	$4,153,526	$1,557,154	$2,596,372
2014	$4,151,996	$798,795	$3,353,201
2015	$3,978,509	$719,329	$3,259,180
2016	$3,956,142	$836,016	$3,120,126
2017	$4,111,280	$1,435,689	$2,675,591
2018	$3,900,336	$670,199	$3,230,137
2019	$3,777,523	$630,628	$3,146,895
2020	$3,513,660	$734,870	$2,778,790
2021	$3,623,543	$1,824,411	$1,799,132
2022	$3,566,247	$70,186,337	($66,620,090)

The average increase in the cash balance from FY 2008 to FY 2021 is about $2.1 million each year. If the current revenue and expenditure trend continues, the appropriation will be in a positive balance in approximately 24 years.

STATE OF WISCONSIN
DEPARTMENT OF JUSTICE

Josh Kaul
Attorney General

17 W. Main Street
P.O. Box 7951
Madison, WI 53707-7951

Kristina Trastek-Nelson
Division Administrator
Division of Management Services

Date: September 22, 2022

To: Brian Pahnke, State Budget Director
Department of Administration

From: Darcey Varese, Chief *Darcey Varese*
Department of Justice Finance Section

Subject: Fiscal Year 2022 Unsupported Cash Overdraft Plans

Pursuant to § 16.513, Wis. Stat., the Department of Justice is submitting plans to address unsupported shortfalls in two program revenue appropriations in state fiscal year 2022 (FY22).

<u>20.455 (2)(i) Penalty Surcharge, Receipts</u>

The unsupported cash overdraft for FY22 was ($27,697,330.48), which is an increase of $4,681,816.22 over the overdraft of ($23,015,514.26) in FY21. The growth in the deficit from FY21 to FY22 decreased $758,593.21 as last year the deficit was $5,450,409.43.

Revenues from the penalty surcharge were appropriated in six state agencies across fifteen appropriations. It is anticipated the deficit will continue to grow in future years without transferring expenditures to other funding sources or increasing penalty surcharge revenues.

In its past several agency biennial budget requests, the Department of Justice has proposed solutions to reduce the pressures on the Penalty Surcharge, including using a sum-sufficient, general purpose revenue appropriation for statutorily required reimbursement payments for certification (law enforcement, jail, and juvenile detention officers) and recertification (law enforcement officers only) trainings. The department will continue to advocate for ways to alleviate the demands on this appropriation moving forward.

More recently, in our 2023-2025 agency budget request, DOJ proposed shifting appropriations supporting law enforcement agency drug crimes enforcement, youth diversion programs, county victim and witness programs, and law enforcement communication systems from the Penalty Surcharge Revenues to GPR. The department will continue to advocate for ways to alleviate the demands on this appropriation moving forward.

20.455 (3)(kv) Grants for Substance Abuse Treatment Programs for Criminal Offenders

The unsupported cash overdraft for FY22 was ($1,531,783.10), which is a decrease of $44,337.95 compared to the overdraft of ($1,572,121.05) in FY21. This appropriation was transferred from the Department of Administration in the 2013-15 biennium with a cash deficit of ($1,911,631.89). The Department of Justice has not expended any funds from this appropriation since the transfer which allows the deficit to be reduced each year by the appropriation authority. The revenue in the appropriation is derived from the Drug Abuse Program Improvement Surcharge.

If you have any questions, please contact me at (608) 266-9653.

Cc: Kristen Grinde, State Budget Office Deputy Administrator
Krista Rick, State Budget Office Program Specialist
Michelle Gauger, DOJ Budget and Finance Director

CORRESPONDENCE/MEMORANDUM

STATE OF WISCONSIN

DEPARTMENT OF MILITARY AFFAIRS
OFFICE OF THE ADJUTANT GENERAL
STATE BUDGET & FINANCE SECTION
2400 WRIGHT STREET
MADISON, WI 53704

DATE: September 21, 2022

TO: Zachary Picknell
State Controller's Office

FROM: Anna M. Oehler Anna Oehler
Director State Budget & Finance

RE: **Outstanding Overdraft Explanations:**

Please accept this submission for the required overdraft report.

Appropriation 133:

The Department of Military Affairs (DMA) incurred costs between March 2020 and June 2020 for a State Active Duty mission to assist with COVID19 testing statewide. At that time the costs were to be covered with CARES funding received by the State of Wisconsin. In January 2021, the federal government changed guidance, making all State Active Duty activities eligible for 100% reimbursement through the FEMA Disaster program. DMA has submitted the claim to FEMA under the DR-4520 disaster declaration and is currently under review by FEMA. DMA has been notified of some questions regarding the claim and is working with FEMA to resolve any outstanding issues.

Appropriations 350

A review shows that a cost was charged to closed grant. The cost will be moved to the appropriate coding before the end of September.

Questions or concerns can be addressed to Lucinda Fritchen at 608-242-3156.

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary-designee

Date: December 6, 2022

To: Brian Pahnke, Administrator
Division of Executive Budget and Finance

From: Colleen Holtan, Director CAH
Bureau of Financial Management
Division of Enterprise Operations

Re: FY 2021-22 Program Revenue Unsupported Overdraft Plan

In accordance with s. 16.53, Wis. Stats., please accept this memo as the Department of Administration's ("DOA" or "Department") plan to address fiscal year 2021-22 (FY 2021-22) program revenue unsupported overdrafts in the following appropriations:

- Agency 505 (DOA), Appropriation 12300 - Justice Information Fee Receipts
- Agency 505 (DOA), Appropriation 12800 - Services to Nonstate Governmental Units
- Agency 505 (DOA), Appropriation 13400 - Transportation and Records
- Agency 505 (DOA), Appropriation 13800 - Enterprise Resource Planning System
- Agency 505 (DOA), Appropriations 84500 and 84600 - General Program Operations; Raffles and Bingo
- Agency 870 (ITIF), Appropriation 16000 - Information Technology Investment Fund Special Project

Appropriation 12300 – Justice Information Fee Receipts

The Justice Information Fee was created by 1995 Wisconsin Act 27 (the 1995-97 Biennial Budget) when s. 814.635 (1), Wis. Stats., was amended to rename the "court automation fee" to "justice information fee". Under the law, the Justice Information Fee is generally assessed with a court fee for the commencement or filing of certain civil court proceedings, including large claims, small claims forfeiture, wage earner, or garnishment actions, an appeal from municipal court, third party complaint in a civil action, or for filing a counterclaim or cross complaint in a small claims action. Act 27 established a Justice Information Fee of $5.00 and required eighty percent of the moneys received under s. 814.635 (1) to be credited to the appropriation for the development and operation of automated justice information systems under s. 16.971 (9), Wis. Stats., and the remainder to the general fund.

1997 Wisconsin Act 27 (the 1997-99 Biennial Budget) increased from $5.00 to $7.00 the fee amount and decreased from 80% to four-sevenths the amount of moneys received under s. 814.635 (1) to be credited to s. 20.505 (1) (ja), Wis. Stats., Justice information systems, and directed two-sevenths and one-seventh, respectively, to s. 20.680 (2) (j) Court information systems and interpreters and the general fund.
1999 Wisconsin Act 9 (the 1999-01 Biennial Budget) increased from $7.00 to $9.00 the fee amount and modified the amount of moneys received under s. 814.635 (1) to be credited to s. 20.505 (1) (ja), s. 20.680 (2) (j), and the general fund, to six-ninths, two-ninths, and one-ninth, respectively.

2003 Wisconsin Act 139 consolidated court assessments, surcharges, and restitution payments into Chapter 814 of the statutes; renumbered from s. 814.635 to s. 814.86; and changed the name of all of fees, assessments, surcharges, and restitution payments to surcharges.

2005 Wisconsin Act 25 (the 2005-07 Biennial Budget) increased from $9.00 to $12.00 the surcharge amount and modified the amount of moneys received under s. 814.86 (1) to be credited to s. 20.505 (1) (ja), s. 20.680 (2) (j), and the general fund, to five-twelfths, 50% and one-twelfth, respectively.

2009 Wisconsin Act 28 (the 2009-11 Biennial Budget) increased from $12.00 to $21.50 the surcharge amount. It also increased from three to six the number of appropriations to which moneys received under s. 814.86 (1) were to be credited and changed the distribution method to one based on a fixed amount of the total fee (e.g., $7.50 of every $21.50 fee to s. 20.505 (1) (ja)). A summary of the changes in the Justice Information Surcharge is shown in Table 1.

TABLE 1
Justice Information Fee/Surcharge

Authorizing Legislation	Amount
1995 Wisconsin Act 27	$5.00
1997 Wisconsin Act 27	$7.00
1999 Wisconsin Act 9	$9.00
2005 Wisconsin Act 25	$12.00
2009 Wisconsin Act 28	$21.50 [1]

[1] Surcharge amount is unchanged as of current date

2011 Wisconsin Act 32 (the 2011-13 Biennial Budget) significantly changed the structure of the surcharge distribution with the creation of appropriation s. 20.505 (1) (id), Wis. Stats., Justice Information Fee Receipts, into which all moneys less $700,000 received from the justice information surcharge under s. 814.86 (1) are collected for the purpose of annually transferring to the appropriation accounts the amounts in the schedule for subdivisions 1. To 8., and the retention of the transfer of $6.00 of each $21.50 received under s. 814.86 (1) for the operation of circuit court automated information systems. During the 2011-13 biennium, the Justice Information Fee Receipts appropriation collected surcharge revenues of $19,441,625 and transferred to appropriation accounts and the general fund a total of $19,351,600, resulting in a FY 2012-13 ending cash balance of $90,025.

2013 Wisconsin Act 20 (the 2013-15 Biennial Budget) retained the structure of the surcharge distribution implemented during the prior biennium. During the 2013-15 biennium, the Justice Information Fee Receipts appropriation surcharge revenues decreased by more than $2.4 million to $16,978,696 and the amount transferred to appropriation accounts and the general fund increased $518,000 to a total of $19,869,600, resulting in a FY 2014-15 ending cash balance of $(2,800,879).

2015 Wisconsin Act 55 (the 2015-17 Biennial Budget) eliminated from the surcharge distribution s. 20.505 (1) (id) 8 and modified the appropriation language for the remaining appropriation accounts authorized under s. 20.505 (1) (id) to require the unencumbered balance on June 30 of each year to be transferred to the appropriation account under s. 20.505 (1) (id). Additionally, section 9226 of Act 55 required the return to the Justice information surcharge appropriation account in an amount equal to the unencumbered balance as of June 30, 2015. During the 2015-17 biennium, the Justice Information Fee Receipts appropriation collected surcharge revenues of $16,882,446; transferred to appropriation accounts and the general fund a total of $19,651,600; and received reversions of $2,098,822, resulting in an ending cash balance of $(3,471,171).

Since 2017 Wisconsin Act 59 (the 2017-19 Biennial Budget), the surcharge amount and distribution structure has been retained. During the 2017-19 biennium, the Justice Information Fee Receipts appropriation collected surcharge revenues of $17,554,494; transferred to appropriation accounts and the general fund a total of $20,125,600; and received reversions of $662,486, resulting in an ending cash balance of $(5,3749,793). During the 2019-21 biennium, the Justice Information Fee Receipts appropriation collected surcharge revenues of $15,238,773; transferred to appropriation accounts and the general fund a total of $18,047,100; and received reversions of $317,394, resulting in an ending cash balance of $(7,870,727). During the first year of the biennium, 2021-22, the Justice Information Fee Receipts appropriation collected surcharge revenues of $7,223,773; transferred to appropriation accounts and the general fund a total of $9,352,497; and received reversions of $87,778, resulting in an ending cash balance of $(9,911,674).

The annual collections to, transfers from, and resultant cash balance of the Justice Information Fee Receipts appropriation for the current and past biennia is shown in Table 2.

TABLE 2
Justice Information Fee Receipts Cash Balance

	2017-18	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Beginning Balance	$(3,471,171)	$(4,500,137)	$(5,379,793)	$(5,952,154)	$(7,870,727)
Collections	$ 8,759,672	$ 8,794,822	$ 8,215,514	$ 7,023,259	$ 7,223,773
Transfers:					
General Fund	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000
Appropriation Accounts	9,356,000	9,369,600	8,310,800	8,336,300	8,652,497
Total	$ 10,056,000	$ 10,069,600	$ 9,010,800	$ 9,036,300	$ 9,352,497
Less: Reversions	(267,362)	(395,121)	(222,926)	(94,468)	(87,778)
Net Transfers	$ 9,788,638	$ 9,674,479	$ 8,787,874	$ 8,941,832	$ 9,264,719
Net Collections	$(1,028,966)	$ (879,657)	$ (572,361)	$(1,918,574)	$(2,040,946)
Ending Balance	$(4,500,137)	$(5,379,793)	$(5,952,154)	$(7,870,727)	$(9,911,674)

As the negative cash balance in the Justice Information Fee Receipts appropriation continues to grow, legislative changes to: utilize alternative revenue sources for appropriations supported by the surcharge; and/or to modify the Justice Information System Surcharge annual transfer to the general fund such that the amount transferred per s. 20.505 (1) (id) is the lesser of $700,000 or the amount remaining in the appropriation after all other transfers under subds. 1 to 6 are made, should be considered. It should continue to be noted that the latter change would, itself, be insufficient to prevent further increases in the amount by which the appropriation is unsupported.

Appropriation 12800 – Services to Nonstate Governmental Units

The Services to Nonstate Governmental Units; Entity Contract, Appropriation 12800 was created under s. 20.505 (1) (im), Wis. Stats., for providing services and to repurchase inventory items for primarily non-State purchasers, and as an appropriation to be used to collect for the sale of such services and items.
The Services to Nonstate Governmental Units appropriation defines certain authorized purposes, including for: collection of fees paid to the Department by school districts for wiring district facilities with data lines and video links, for reimbursement of the Department's capital planning and building construction

appropriation under s. 20.505 (1) (kc), Wis. Stats., Capital planning and building construction services, as pursuant to s. 16.85 (15), Wis. Stats.; contracting with an entity to perform services for the collection, analysis, and dissemination of health care information of hospitals and ambulatory surgery centers as pursuant to s. 153.05 (2m), Wis. Stats., Collection and dissemination of health care and related information; and to provide for group transportation as pursuant to s. 16.82 (5), Wis. Stats. The Department is also authorized for use of the appropriation for garnishing employee earnings pursuant to s. 16.53 (1) (d), Wis. Stats., Salaries and benefits; when payable, for garnishment actions prescribed under s. 812.42, Wis. Stats., Garnishment of earnings of public officers and employees.

Appropriation 12800 does not contain activity under either s. 16.85 (15) or s. 153.05 (2m), for wiring school district facilities with data lines or video links, or for health care information contracting, and rather is currently used for the State Vanpool Program ("Vanpool Program" or "Vanpool"), wage garnishment operations, and for other revenues from non-State entities (e.g., Supplier Diversity Program).

As is shown in Table 4, the overall program position of Appropriation 12800 has declined, primarily as a result of decreasing support from equipment (principally Vanpool vehicles) and other intangible assets, and as a result of decreasing revenues. While revenues began to decline prior to the COVID-19 pandemic ((9.9%) decline from FY 2017-18 to FY 2018-19), a more precipitous decline was experienced during the pandemic ((35.6%) decline from FY 2018-19 to FY 2020-21)) due to a reduction in the consumption of Vanpool services.

Efforts to right-size the Vanpool Program, revenues from the sale of vans and reduction in operational expenditures resulted in an incrementally improved program position from FY 2020-21 to FY 2021-22, with a 239% (or $221,765) increase in the ending program position as shown in Table 4. At the end of FY 2021-22, the appropriation reported an unsupported overdraft of $(159,268), which includes the support of $260,060 equal to equipment and other intangible assets, excluding accounts receivables (equal to $2), is also shown in Table 4.

The Vanpool Program is operated by the Bureau of Enterprise Fleet ("BEF") within the Division of Facilities and Transportation Services ("DFTS"), and wage garnishments are operated by the State Controller's Office ("SCO") within the Division of Executive Budget and Finance ("DEBF"). The fee structure, fiscal summary, and cost recovery methodology for the Vanpool Program and wage garnishment operations are as detailed below, in addition to summaries of evaluation of the need for change in service or fiscal recovery.

<u>Group Transportation</u>

Section 16.82 (5), requires the Department to operate a group transportation program and encourage participation in the program and of alternate means of group transportation, for State, local, and private employees. Under this authorization, DFTS operates the State Vanpool Program, which evolved from a demonstration project initiated in July 1978, when approximately 100 commuters began riding to and from work in eight vans. It was originally developed for the primary purpose of encouraging energy conservation.

As legislatively defined, group transportation is provided for through a fee which "recovers the full cost of administration, maintenance, operation, insurance and depreciation of the group transportation program, plus interest for general purpose revenues utilized for the program." The basis of the fee structure formula used for cost recovery of the Vanpool Program includes the total number of vanpools in operation, multiplied by the annual biweekly pay periods. From these consumption variables, the per-day round-trip cost is determined by the daily commute miles (rounded by daily round trip mileage), number of riders, driver/coordinator discounts, if any, and fixed and variable costs as specified by the Vanpool Program annual operating budget. Daily full-time rider fare is determined by dividing the per-day cost of operation by the number of paying riders. Individual vanpool rates vary according to van size (12 or 15 riders), total daily average round-trip miles, and the number of paying riders.

As under s. 20.903 (2) (b), Wis. Stats., Anticipation of accounts receivable, the Department is required to calculate and assess for interest earnings whether in a negative or positive state, respectively, in an additional amount not exceeding the depreciated value of equipment for Vanpool Program operations, and is required to deposit the amounts collected into the general fund, or to retain under Appropriation 12800 if positive.

The use of State vanpools has declined over time and has more precipitously declined beginning in calendar year ("CY") 2020 due to COVID-19 pandemic safety protocols implemented through remote and flexible workplace policies, Wisconsin's Safer at Home Emergency Orders, and the change in commuting practices. Vanpool ridership averaged 633 active participants from CY 2017 through CY 2019, with a slight decline from 686 riders in CY 2017 to 596 riders in CY 2019 as shown in Table 3. The program participant count average from CY 2020 through CY 2022 (through August) was 73, with a modest increase in ridership each year within this timeframe, as also shown in Table 3.

TABLE 3
Vanpool Operations Statistics

Metric	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Program Ridership[1]	686	617	596	60	74	84
Active Routes Count	64	56	49	7	9	10
Active Vans Count	74	72	61	61	58	15
Van Mileage	1,526,292	1,349,772	1,304,412	473,893	172,120	136,823

Note: Information is provided on a CY Basis, with CY 2022 including information through August.
[1]Based upon headcount of participants.

The fiscal activity of the Vanpool Program reflects this decline in ridership with noticed recent incremental improvements as shown in Table 4, which consists of: the aforementioned vanpool fees, which have declined by (17.6%) from FY 2017-18 to FY 2021-22; the decline in the support of the assets of the vans and gain/loss of revenues from the sale of vans; interest earnings paid to the general fund; expenditures associated with the operations of the program and maintenance and acquisition of vans; and an annual rideshare revenue transfer from Appropriation 53100, s. 20.505 (5) (ka), Wis. Stats., Facility operations and maintenance, in an amount equal to the prior year transfer adjusted annually to reflect changes in the U.S. Consumer Price Index as determined by the U.S. Department of Labor.

The use of the State Vanpool Program by State employees and other commuters is anticipated to be impacted on a long-term or permanent basis. As previously mentioned, the reduction in ridership and reduced need for vanpool services resulted in the Department's initial efforts to right-size the program through the sale of a portion of the Vanpool Program's vehicle fleet (as seen in Table 3 with the reduction in active van count from CY 2021 to CY 2022 (through August)). The reduction in ongoing van maintenance expenditures and one-time revenues from the sale of vans has resulted in partial improvements to the program position. The Department anticipates that this potential resulting long-term modification to the consumption of BEF vanpool services will necessitate a modified service model and fleet size, the structure of which is currently under evaluation by DFTS and the Department.

Wage Garnishment Operations
The Department is responsible for garnishing the earnings of State employee debtors until each judgement is satisfied or terminated under the court, as prescribed under s. 812.42 (2). A garnishee fee of $15 is

collected from a creditor concurrent with the Department's receipt of an earnings garnishment form, and an additional $3 fee is collected by the Department for each payment after the first payment for the administration of the garnishment operations. Pursuant to s. 812.42 (2) (b), the $3 fee is deducted from the amount provided to the creditor. Fees collected by the SCO are deposited into Appropriation 12800 and are used to cover the expenditures associated primarily with the SCO personnel costs for administering the garnishments.
Garnishment expenditures are generally equal to revenues each fiscal year (e.g., $446,004 in total expenditures and $449,599 in revenues from FY 2017-18 through FY 2021-22); expenditures that exceed revenues within a fiscal year are typically subsequently transferred to the financial services appropriation (under s. 20.505 (1) (kj), Wis. Stats., Financial services), and is shown in Table 4

The Department and DEBF continue to evaluate the work effort associated with wage garnishment operations, through such means as time and effort task reporting, in order to understand the alignment of the amount of revenues collected from the garnishment administrative fee to the work effort of administration.

Other Non-State Revenues
In FY 2021-22, the Department determined certain existing activities were most appropriately recorded in appropriation 12800, due to their non-State nature. This resulted in the transfer of expenditures and revenues from the Supplier Diversity Program previously held under appropriation 13200, s. 20.505 (1) (kf), Procurement services, to appropriation 12800. The revenues and expenditures were transferred as legacy non-State government operations under the Business Opportunities in the Government Sector to appropriation 12800 in FY 2021-22, with revenues in excess of expenditures in the amount of $10,784.

TABLE 4
Vanpool and Wage Garnishments Program Position

	2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Balance[1]	$ (715,870)	$ (858,350)	$ (716,130)	$ (767,095)	$ (938,327)
Plus: Collected Revenue					
Wage Garnishments[2]	$ 93,455	$ 93,932	$ 93,225	$ 85,093	$ 83,894
Vanpool Fees	$ 980,859	$ 908,752	$ 825,356	$ 259,987	$ 807,965
Non-State Revenue - Other	$ 0	$ 0	$ 0	$ 0	$ 13,351
Interest Earnings[3]	$ 0	$ (35,207)	$ (13,602)	$ (907)	$ (180)
Net Collected Revenue	$ 1,074,314	$ 967,478	$ 904,979	$ 344,173	$ 905,029
Less: Expenses					
Wage Garnishments	$ 91,819	$ 93,932	$ 93,225	$ 85,093	$ 81,935
Vanpool	$ 1,124,975	$ 731,326	$ 862,730	$ 430,312	$ 301,531
Non-State - Other	$ 0	$ 0	$ 0	$ 0	$ 2,567
Net Expenses	$ 1,216,794	$ 825,258	$ 955,955	$ 515,405	$ 386,032
Closed Balance Continuing	$ (858,350)	$ (716,130)	$ (767,106)	$ (938,327)	$ (419,330)
Accounts Receivable	$ 2	$ 1,129	$ 8,002	$ 813	$ 2
Equipment, Vehicles, Intangible Assets[4]	$ 1,026,785	$ 792,272	$ 770,085	$ 556,481	$ 260,060
Ending Program Position	$ 168,437	$ 77,271	$ 10,982	$ (381,033)	$ (159,268)

[1]Beginning Balance in FY 2020-21 includes a prior year adjustment for collected revenue of $11 resulting in the change in beginning balance in FY 2020-21 from closed balance continuing in FY 2019-20.
[2] Rrevenue includes additional collections to cover pre-existing FY2014-15 negative program position balance of $(1,959).
[3]Interest earnings of $(15,965) for FY 2015-16 through FY 2017-18 were processed in FY 2018-19.
[4]Equipment and assets are calculated at net book value (NBV).

Appropriation 13400 – Transportation and Records

The Transportation and Records Appropriation 13400 was created under s. 20.505 (1) (kb), Wis. Stats., for the purpose of providing "State vehicle and aircraft fleet, mail transportation, and records services primarily to State agencies, and to provide for the general program operations of the public records board," as administered by the Bureau of Enterprise Fleet ("BEF") within the Division of Facilities and Transportation Services ("DFTS").

The overall program position of Appropriation 13400 has declined over time, primarily as a result of decreasing revenues, is shown in Table 5. While BEF revenues began to decline prior to the COVID-19 pandemic ((3.1%) decline from FY 2017-18 to FY 2018-19), a more precipitous decline was experienced during the pandemic ((5.9%) decline from FY 2018-19 to FY 2019-20 and (19.6%) decline from FY 2020-21)) due to reductions in the consumption of BEF services. Revenues incrementally increased in FY 2021-22 with the increased use of fleet services. However, with increases in expenditures and reductions in corresponding assets, the program position declined overall (by (136.2%)) from FY 2020-21 to FY 2021-22. At the end of FY 2021-22 , the appropriation reported an unsupported overdraft of $(1,960,927), which includes the support of $25,396,772 equal to equipment and other intangible assets net of master lease obligations, excluding accounts receivables (equal to $1,033,860), as shown in Table 5

The FY 2019-20 through FY 2020-21 reduction in BEF consumption and services was in part a result from the COVID-19 pandemic and subsequent safety protocol implemented through remote and flexible workplace policies, Wisconsin's Safer at Home Emergency Orders, a reduction in the performance of in-office functions, and the need to convene through alternate remote methods. Through a partial return to travel and the workplace for fleet consumers, increased usage was experienced incrementally in FY 2021-22.

Through changes in work patterns, service delivery needs, technology, and meeting and conference needs and norms, State employee transportation and records management consumption may be altered on a long-term or permanent basis. The Department anticipates that this potential resulting long-term modification to the consumption of BEF services may necessitate a modified service model, which is currently under evaluation by DFTS and the Department.

Each service of DFTS as follows is comprised of a corresponding fee structure and cost recovery methodology, financial status from FY 2017-18 through FY 2021-22, and summary of evaluation of the need for change in service or fiscal recovery.

Central Fleet

The Central Fleet Program is operated and cost recovered for two categories of vehicle usage, pool (short-term rental) and assigned vehicles (long-term leases), each consisting of a fleet of vehicles for State employees to use for work-related travel. Operations of the Central Fleet Program are authorized under s. 16.04, Wis. Stats., which prescribes the guidelines for acquisition and use of State fleet vehicles as well as other fleet maintenance and operations policies and procedures. The pool vehicle charge is comprised of a fixed daily rate with a variable mileage add-on, with the first fifty miles free per day for each vehicle rented, ranging in cost by vehicle type; and the assigned vehicle charge is comprised of a fixed monthly rate with a variable mileage add-on, with mileage and monthly increases of $0.02 per mile and $18.00 per month, respectively, for over 2,000 miles. The pool and assigned vehicle rate schedules were last modified in FY 2011-12.

While fairly stable prior to the COVID-19 pandemic, the Central Fleet Program has been impacted by the decline in ability and need of State employees to use the State fleet for travel during the pandemic, as illustrated by the fleet mileage information from CY 2017 through CY 2022 (through August) is shown in Table 6. The CY 2019 vehicle mileage for the Central Fleet Program was 19.2 million miles, and from CY 2020 to CY 2022 was an annual average of 11.4 million miles. As illustrated in Table 5, while the Central Fleet has historically and continues to provide positive support to the appropriation through the support of assets and equipment, as well has temporarily increased net gains through declines in expenditures as a result of delayed vehicle buys due to national supply chain disruptions, revenues have declined. Revenues are beginning to incrementally increase as of FY 2021-22 (5.6% increase from FY 2020-21), and while expenditures were greater in correlation to increased fleet operations (increased by $1,474,551 from FY 2020-21), the net gain in operations was $839,469 in FY 2021-22.

The Central Fleet Program fiscal position is as follows: the ending balance of FY 2017-18 was equal to an approximate $7,150,767, including a net gain of $305,576 and the support of $14,696,229 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2018-19 was equal to an approximate $7,352,479, including a net gain of $201,712 and the support of $12,821,522 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2019-20 was equal to an approximate $7,110,936, including a net loss of $(118,572) and the support of $15,837,281, equal to equipment and other intangible assets net of master lease obligations excluding accounts receivables. The ending balance of FY 2020-21 was equal to an approximate $6,389,435, including a net loss of $(844,471) and the support of $13,290,277 equal to equipment and other intangible assets net of master lease obligations excluding accounts receivables. The ending balance of FY 2021-22 was equal to an approximate $5,303,283, including a net loss of $(1,086,152) and the support of $11,357,152 equal to equipment and other intangible assets net of master lease obligations excluding accounts receivables.

The Department will continue to evaluate the structure, fleet size, and rate schedules for the Central Fleet Program due to the change in the landscape of consumption and impact on State employee travel needs.

Enterprise Fleet

The State Enterprise Fleet Management ("EFM") operates the EFM System for State and University of Wisconsin employees for vehicle registration, mileage reporting, and for access to State fleet policies and procedures. Operations of EFM are also authorized under s. 16.04, Wis. Stats., which prescribes fleet manager assignment requirements and enterprise fleet management practices. The Department charges agencies for recovery for EFM service expenditures, utilizing the number of vehicles owned by each agency to determine the number of vehicles assessed under each. The set amount assessed per vehicle is determined based upon cost recovery for expenditures, and although the rate has been recently historically static at $50 per vehicle, it has and will be modified to reflect changes in costs for operation, such as for the development of the EFM System as experienced in FY 2019-20 (as increased to $73 per vehicle resulting in a corresponding increase in FY 2019-20 enterprise fleet revenues as contained in Table 5). Table 6 contains the number of vehicles that have been allocated by agency on an annual basis as invoiced with the annual Department's Enterprise Assessments, and with the mentioned rate per vehicle cost allocation process, has accounted for the fluctuation in revenues since FY 2017-18.

The EFM's ending balance of FY 2017-18 was equal to an approximate $58,417, including a net loss of $(27,980). The ending balance of FY 2018-19 was equal to an approximate $(156,988), including a net loss of $(215,405). The ending balance of FY 2019-20 was equal to an approximate $50,281, including a net gain of $207,269. The ending balance of FY 2020-21 was equal to an approximate $256,543, including a net gain of $206,262. The ending balance of FY 2021-22 was equal to an approximate $341,876, including a net gain of $85,333.

EFM has maintained a positive position, with net annual gains beginning in FY 2019-20 driven primarily by a reduction in expenditures from the finalization of the initial development of the EFM system and the per vehicle recovery rate net of expenditures. The Department will continue its practice of performing an annual evaluation of the rate per vehicle charge to ensure that any potential over- or under-collection for EFM operations is mitigated, while also attempting to smooth annual cost fluctuations due to one-time over- or under-expenditures.

Wisconsin Air Services

Wisconsin Air Services ("WAS") is operated and maintained for State and University of Wisconsin officials and employees as a transport option for public service delivery and State operations. WAS also maintains the State's fleet of work aircraft for law enforcement, fire protection, and resource management for the Department of Natural Resources ("DNR") and the Department of Transportation ("DOT"). The Department's acquisition and management of State aircraft is authorized under s. 16.04, which prescribes the Department's responsibility under s. 16.04 (4) for providing central "scheduling and dispatching of all air-transportation and state-owned aircraft."

The charged rate for transportation planes is calculated by statute mile distance from departure to destination, plus an hourly charge for WAS pilots and transportation crew to wait for passengers to make return flights. Expenses may also include airport landing and facility charges, hotels, ground transportation and meals for the WAS crew. The rates for leased work aircraft were charged based upon the class of aircraft at a per flight hour basis prior to FY 2021-22 and were last-revised in FY 2015-16 using this now sun-setted methodology.

The negative financial position of WAS has continued to grow over time, due primarily to the lack of recovery of the depreciable values of the fleet of aircraft owned by the Department, and as accelerated by a reduction in transport flights during the COVID-19 pandemic.

Table 6 illustrates the decrease in WAS passenger plane flight hours, from 867 hours in CY 2019 to 440 hours in CY 2020, and the relatively consistent level of annual flight hours of leased aircraft throughout the past five years for DNR and DOT. Flight hours have begun to increase and are now nearing pre-pandemic levels, with 855 passenger hours in CY 2022 (through August). Table 5 illustrates the overall decline in WAS revenues through the pandemic and prior to the implementation of the new cost recovery method for work aircraft (FY 2018-19 to FY 2020-21 of $(633,143)). With the implementation of the new cost recovery method for work aircraft as implemented in FY 2021-22 and as explained below, revenues noticeably increased (by 188.2%) from FY 2020-21.

The WAS balance of FY 2017-18 was equal to an approximate $(4,609,745), including a net loss of $(551,563) and the support of $14,393,918 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2018-19 was equal to an approximate $(5,301,889), including a net loss of $(692,144) and the support of $14,545,138 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2019-20 was equal to an approximate $(6,045,178), including a net loss of $(743,289) and the support of $14,301,360 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2020-21 was equal to an approximate $(6,980,284), including a net loss of $(935,107) and the support of $14,146,267 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2021-22 was equal to an approximate $(7,412,047), including a net loss of $(431,763) and the support of $13,973,207 equal to equipment and other intangible assets excluding accounts receivables.

As a result of the growing negative position of WAS and the dependency on aircraft use to partially recover aircraft costs, as aircraft may not be flown for periods of time and with depreciation thus remaining

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unrecovered, the Department evaluated the work aircraft cost recovery methodology. The ultimate goal of this recovery analysis was to identify a fair and reasonable method to mitigate the net loss contributing to the WAS negative position.

Resulting from this analysis, the Department determined that through correlating recovery to actual annual operating expenditures, it would improve the overall status of the appropriation while fairly attributing costs to those agencies leasing work aircraft. As such, the depreciable value of the work aircraft as of FY 2021-22 is charged using an annual assessment methodology, which uses a two-year cost recovery model inclusive of all depreciation of existing plane engines' remaining values, 20% of the hulls' remaining values, remaining values of any other components of the aircraft determined to be depreciable per *Wisconsin Accounting Manual*, Section 16-03, such as propellers, and any master lease interest if financing is used.

In addition to the recovery of the depreciable aircraft values over a two-year period, operational costs, either attributable to each aircraft or allocated proportionately across the fleet, are recovered for on an annual basis while those planes remain in operation until replacement. Operational costs result from BEF work aircraft fleet management, such as BEF staff, maintenance costs, and administrative costs. The operational costs are recovered for through an annual assessment of the estimated annual expenditures, which are trued up to actual in the subsequent fiscal year. In addition to the work aircraft solution, the Department is continuing to evaluate the transport aircraft consumption as the impacts of the COVID-19 pandemic are lessened and new utilization trends are understood.

<u>State Records Center</u>
Pursuant to s. 16.61, Wis. Stats., Records of state offices and other public records, the Public Records Board, attached to and administered by the Department, provides management, security and maintenance, storage/retrieval, records policy development/administration, and disposition, for records management for State agencies. Services are provided by BEF's State Records Center ("SRC"). State agencies are required to hold an approved Records Disposition Authorization ("RDA") for records they wish to store. A current RDA (less than 10 years old) for the agency's records must be approved by the Public Records Board.

The costs to operate SRC include: SRC personnel; the rental space for storage; operating supplies and services, such as bins and boxes for storage; and other administrative expenditures. To recover for these costs, SRC charges for monthly box and file storage services set at various rates by category (e.g., reels, electronic media cases, etc.) and for records service requests, such as for checking out boxes/cases at a per-box rate.

The initial decline in expenditures in FY 2020-21 as a result of temporary position vacancies and operational expenditure reductions has begun to return to historical levels as anticipated. The decline in service requests are attributable to the overall change in the landscape of records services and management due to technology and process changes, resulting in less physical storage and document retrieval needs and greater use of other electronic document storage and management systems. This trend has been accelerated by the COVID-19 pandemic and employee remote work and has caused for a reduction in the number of service requests. Further, one of the largest SRC consumers, the University of Wisconsin Hospitals and Clinics ("UWHC"), has significantly reduced consumption; the reduction in service requests received from UWHC has declined from an average of 111 daily requests in FY 2009-10 to 6 average daily requests in FY 2019-20.

Overall, the annual volume of storage and service requests have trended downward over the past five years. As seen in Table 6, the consumption of records center services and storage have declined from CY 2017 to CY 2021, with a (43.1%), (8.0%), and (52.2%) decline in service request counts, box storage item counts, and file storage item counts, respectively. As contained in Table 5, collected revenues, while having declined by (19.3%) during that same timeframe, have increased by 66.9% (or $656,251) from FY 2020-21 to FY 2021-22 and operated at a net gain in FY 2021-22, due to the rate changes detailed below.

The overall negative position is due to the aforementioned net annual loss of operational revenues and decline in the support of equipment and intangible assets as follows: the ending balance of FY 2017-18 was equal to an approximate $689,051, including a net loss of $(246,038) and the support of $164,271 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2018-19 was equal to an approximate $309,766, including a net loss of $(379,285) and the support of $152,662 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2019-20 was equal to an approximate $(51,120), including a net loss of $(360,886) and the support of $116,192 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2020-21 was equal to an approximate $(335,868), including a net loss of $(284,748) and the support of $89,423 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2021-22 was equal to an approximate $(118,598), including a net gain of $147,270 and the support of $66,414 equal to equipment and other intangible assets excluding accounts receivables.

The Department had not modified SRC service and storage rates since FY 2014-15, and thus an analysis was undertaken in FY 2020-21 to determine if a potential adjustment was needed to account for this under-recovery. Resulting from this analysis and to address the unsupported status and recover operational costs, the Department modified rates in FY 2020-21; the basis of the update was a proportionate 40% increase to all service and storage rates to fully recover the SRC's annual operating costs.

Further, a process for setting and reviewing certain Departmental rates was developed, using records services as the pilot, to allow for recurring rate reviews to standardize the process to regularly change rate schedules to ensure that over- or under-recovery occurrences are able to be addressed on a standing basis. The Department set a two-year schedule for SRC rates, which will allow for rates to maintain responsivity for uncertain consumption patterns. In addition, a new rate was developed in FY 2020-21 and set for the beginning of FY 2021-22 for BEF staff time and supplies and services costs for the witnessed destruction of paper records, previously for which was unrecovered. The Department will continue to evaluate the aforementioned changing landscape in the usage of physical storage in order to be responsive to the changing service needs of State agencies and entities.

Mail Transportation Services

Mail transportation services is comprised of the Mail Unit that sorts incoming United States Postal Service ("USPS") and State Agency Inter-D mail and distributes to agencies throughout the city. The Inter-D Mail unit and the University of Wisconsin-Madison ("UW-Madison") programs interface for the transfer of mail and materials between the two entities. The UW-Madison is a separate organization and maintains their own Inter-D mail unit, servicing most UW-Madison facilities. The Inter-D system also connects with certain local and governmental systems to provide a wide network of hard copy communications and material transfers. Mail transportation operations are cost recovered through an annual transfer of revenues from Appropriations 53100 and 12600 (under s. 20.505 (1) (kL), Wis. Stats., Printing, mail, communication, document sales, and information technology services; state agencies; veterans services.) in an amount equal to the annual expenditures, split currently at 54% and 46%, respectively. As such, the program position for this operation at year-end is $0.

TABLE 5
Transportation and Records Program Position

	2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Balance[1]	$(26,168,301)	$(27,253,420)	$(26,815,661)	$(30,336,485)	$(29,534,864)
Plus Collected Revenue:					
Air Services	$ 1,525,828	$ 1,314,100	$ 1,097,181	$ 680,957	$ 1,962,664
Central Fleet	9,683,043	9,653,791	8,840,310	7,395,812	7,813,897
Document Sales[2]	63,874	128,076	226,133	0	0
Enterprise Fleet	452,534	387,131	582,099	361,099	375,929
Mail Transportation	690,787	504,812	559,416	577,448	546,290
Records Center	1,215,219	1,220,611	1,128,914	980,288	1,636,539
Total Collected Revenue	$ 13,631,286	$ 13,208,521	$ 12,434,052	$ 9,995,603	$ 12,335,319
Less: Expenses	14,716,406	12,770,761	15,594,883	9,193,982	11,192,014
Closed Balance Continuing	$(27,253,420)	$(26,815,661)	$(30,336,491)	$(29,534,864)	$(28,391,559)
Accounts Receivable	$ 1,255,003	$ 1,315,024	$ 1,070,823	$ 1,255,583	$ 1,033,860
Tangible/Intangible Assets[3]	29,254,418	27,519,321	30,254,833	27,449,112	25,396,772
Ending Program Pos.	$ 3,256,001	$ 2,018,684	$ 989,165	$ (830,170)	$ (1,960,927)

[1]Beginning Balance in FY 2020-21 includes a prior year adjustment for collected revenue of $6 resulting in the change in beginning balance in FY 2020-21 from closed balance continuing in FY 2019-20.
[2]Document Sales and its balance were transferred to Appropriation 12600 in FY 2019-20.
[3]Equipment and assets are calculated at net book value (NBV) less master lease obligations.

TABLE 6
Bureau of Enterprise Fleet Operations Statistics

Program	Metric	2017	2018	2019	2020	2021	2022
Central Fleet	Vehicle Mileage	19,846,784	19,581,180	19,271,975	11,396,499	12,494,937	10,244,229
	Vehicle Count	1,497	1,562	1,536	1,606	1,664	1,552
Records Center	Service Requests Count	28,289	28,935	22,435	17,372	16,086	9,758
	Box Storage Items Count	3,619,141	3,614,066	3,561,090	3,464,643	3,328,142	2,157,514
	File Storage Items Count	1,952,998	1,123,191	1,022,042	978,053	933,771	598,451
Air Services	Flight Hours – Transport	910	987	867	440	504	855
	Flight Hours – Work	2,942	3,163	2,870	2,704	2,804	2,270
	Aircraft Count – Transport	4	4	4	4	4	4
	Aircraft Count – Work	15	15	15	14	14	15
Enterprise Fleet	Vehicle Count	6,325	6,128	6,267	6,369	6,374	6,051

Note: Information is provided on a CY Basis, with 2022 including information through August.

Appropriation 13800 - Enterprise Resource Planning System

Appropriation 13800 was created under 2007 Wisconsin Act 20 (the 2007-09 Biennial Budget) for the development of an integrated business information system ("IBIS"). The Department of Administration was authorized to implement and maintain the system pursuant to s. 16.971 (2) (cf), Wis. Stats.

PeopleSoft Enterprise Resource Planning ("PeopleSoft") software was selected for the IBIS project in 2006 and purchased from Oracle Corporation with financing provided through the State's master lease program. Semi-annual master lease payments were scheduled through FY 2012-13.

The implementation of IBIS was put on hold in April 2008; nonetheless, annual maintenance payments for the PeopleSoft software continued to be made by the IBIS Development appropriation through FY 2010-11, at which time they were suspended to give the Administration an opportunity to review options for moving forward with an Enterprise Resource Planning (ERP) system.

In FY 2012-13, the Administration announced the State Transforming Agency Resources ("STAR") Project to implement a State ERP system. Software licenses, hardware and support purchases totaling $17,069,720 were made using financing provided by the State's master lease program and, and as of June 30, 2013, the overdraft in the IBIS Development appropriation, which was renamed the ERP appropriation by 2013 Wisconsin Act 20 (the 2013-15 Biennial Budget), was $(15,323,739). Of that amount, $(15,007,022) was attributable to IBIS; $6,879,998 was supported by PeopleSoft software purchased in 2006, for which no master lease obligations remained; and $(8,443,741) was unsupported.

In FY 2013-14, the Department made the decision to purchase new software for the STAR Project at a cost of $10,000,000, rather than incur a greater expense to upgrade the existing software. As a result, the previously purchased software, with a net book value of $6.9 million, became obsolete and was written off. The Department incurred personnel and professional services costs and purchased other license, hardware and support purchases at a total cost of $22,920,186 that year, of which $19,523,510 was financed using the State's master lease program.

The Department continued to develop STAR, including following its implementation in FY 2015-16, using a combination of financing originated through the State's master lease program and expenditures made directly in the ERP appropriation. The Department finalized the initial STAR Project development in FY 2021-22 at $131,658,510, consisting of total direct costs of $119,995,160, master lease interest paid of $19,510,664, estimated future master lease interest of $5,811,580, and master lease adjustments of $(13,658,895), with amounts by fiscal year as is shown in Table 7.

The Department began assessing state agencies on an annual basis for estimated STAR system operations and maintenance costs in FY 2015-16, when implemented, with amounts trued up to actual in the subsequent year. In FY 2017-18, the Department began assessing to recover project and financing costs incurred in the development of STAR over a period of nineteen years from FY 2017-18 through FY 2035-36, and which was phased in from 60% to 100% over three fiscal years from FY 2017-18 through FY 2019-20 based on an assumed project cost of $138 million. In FY 2021-22, DOA finalized the initial STAR development at $131.6 million resulting in a development assessment reduction of approximately $135,000 annually. In FY 2019-20, the Department began assessing state agencies for the previously unrecovered costs associated with IBIS with a one-time assessment of $5,547,624, and annual assessments thereafter of $591,212 over a period of sixteen years and in alignment with the duration of STAR development cost recovery. Lastly, in FY 2020-21, the Department began annually assessing for estimated Cornerstone costs. Enterprise Resource Planning System appropriation amounts since FY 2017-18 are shown in Table 8.

TABLE 7
Enterprise Resource Planning System Development Costs

	Master Lease Origination[1]	Appr 13800 Expense[2,3]	Subtotal	Master Lease Interest[4]	Master Lease Adjustments[5]	Total
2012-13	$17,069,720	$ 316,715	$ 17,386,436	$ -	$ -	$ 17,386,436
2013-14	19,523,510	3,396,676	$ 22,920,186	994,904	-	$ 23,915,090
2014-15	37,712,118	9,796,274	$ 47,508,392	1,555,958	-	$ 49,064,350
2015-16	14,577,530	4,645,680	$ 19,223,210	2,749,995	-	$ 21,973,204
2016-17	2,738,066	3,150,346	$,888,412	3,203,122	-	$ 9,091,534
2017-18	-	2,691,250	$ 2,691,250	3,181,722	-	$ 5,872,972
2018-19	-	1,601,201	$ 1,601,201	2,893,227	-	$ 4,494,428
2019-20	-	1,566,601	$ 1,566,601	2,605,403	-	$ 4,172,004
2020-21	-	1,209,473	$ 1,209,473	2,326,333	-	$ 3,535,805
Unassigned	-	-	$ -	-	(13,658,895)	$(13,658,895)
Subtotal	$91,620,944	$28,374,216	$119,995,160	$19,510,664	$(13,658,895)	$ 125,846,92
Future Interest[6]	-	-	-	5,811,580	-	5,811,580
Total	$91,620,944	$28,374,216	$119,995,160	$25,322,245	$(13,658,895)	$ 131,658,51

[1] Amount disbursed by Master Lease Program based upon approved invoices.
[2] Amount expended from s. 20.505 (1) (kd), Wis. Stats., excluding amounts expended for payment of master lease principal or interest only.
[3] Amount attributed to STAR Development and STAR Operations and Maintenance as recorded in the general ledger and as adjusted based on a detailed analysis of expenditure data by account code and accounting period.
[4] Interest paid on Master Lease obligations.
[5] Principal balance adjustments on outstanding Master Lease Schedules.
[6] Estimated based on outstanding Master Lease Schedules.

TABLE 8
Enterprise Resource Planning System Assessments

	2017-18	2018-19	2019-20	2020-21	2021-22
Ops and Maintenance	$13,063,239	$16,533,713	$14,424,100	$14,556,367	$18,245,665
True-Up	(1,255,710)	851,835	(3,167,843)	(434,222)	667,240
Cornerstone	-	-	-	851,430	732,961
Development[1]	4,357,895	5,810,527	7,310,540	7,263,158	7,127,792
Development True Up	-	-	47,382	-	-
IBIS[2]	-	-	5,547,624	591,212	591,212
Total Assessments	$16,165,424	$23,196,075	$24,161,803	$22,827,945	$27,364,870

[1] STAR development assessment was assessed at 60% of the annual amount to recover the project over 19 years in FY2017-18, 80% in 2018-19, and 100% thereafter.
[2] Starting in FY2020-21, IBIS is assessed at $591,212 annually over sixteen years to recover previously unrecovered costs.

The program position for the Enterprise Resource Planning System appropriation for the periods FY 2017-18 through FY 2021-22 is shown in Table 9, and includes the beginning cash balance; revenues collected and expenditures incurred; the depreciated value of equipment and software net of master lease obligations; and the value of accrued accounts receivable. For FY 2021-2022, the Department began with an overdraft balance of $(70,014,888), collected revenues of $27,564,184, and expended $24,530,629, resulting in an ending cash balance of $(66,981,334). The negative cash balance was supported by $21,638,086 of equipment, software, and intangible assets net of master lease obligations and outstanding accounts receivable, and $(45,343,248) was unsupported.

TABLE 9
Enterprise Resource Planning System Program Position

	2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Balance	$(65,419,352)	$(67,387,015)	$(67,819,998)	$(68,046,106)	$(70,014,888)
Plus: Collected Revenue	$ 24,006,925	$ 22,830,302	$ 24,275,918	$ 23,103,116	$ 27,564,184
Less: Expenses:					
Personnel and Supplies[1]	$ 16,631,954	$ 14,206,498	$ 15,773,031	$ 16,866,892	$ 17,598,922
Master Lease Principal	6,160,913	6,163,559	6,123,215	5,878,086	5,556,557
Master Lease Interest	3,181,722	2,893,227	2,605,780	2,326,920	1,375,150
Total Expenses	$ 25,974,589	$ 23,263,284	$ 24,502,026	$ 25,071,898	$ 24,530,629
Ending Balance	$(67,387,015)	$(67,819,998)	$(68,046,106)	$(70,014,888)	$(66,981,334)
Net Equip, Software, and Intangible Assets[2]	22,241,715	20,932,691	20,326,311	22,775,164	21,638,086
Accounts Receivable	317,592	635,983	474,487	199,313	0
Unsupported Overdraft	$(44,827,708)	$(46,251,324)	$(47,245,308)	$(47,040,412)	$(45,343,248)

[1] Salaries, Fringe and Other Supplies and Services
[2] Equipment, Software, and Intangible assets net of Master Lease Obligations

The Department will continue to annually assess state agencies in an amount necessary to operate and maintain its enterprise resource planning system and to fully collect project and financing costs incurred in its development over a period of nineteen (19) years. The Department will also continue to assess state agencies for the previously unrecovered costs associated with IBIS in alignment with the duration of STAR development cost recovery.

Appropriation 84500 and 84600 - General program operations; raffles and bingo

Wisconsin Constitutional amendments made charitable bingo games legal in 1973 and raffles in 1977. The Office of Charitable Gaming in the Department's Division of Gaming ("Gaming") is responsible for administration of bingo and raffle operations under Chapter 563, Wis. Stats. Section 20.505 (8) (jn), Wis. Stats., General program operations; raffles and bingo, Appropriations 84500 and 84600, respectively, provide for general program operations relating to raffles and bingo and all moneys received by the Department under ss. 563.055, 563.13 (4), 563.135, 563.16, 563.22 (2), 563.80, 563.92 (2), and 563.98 (1g) Wis. Stats., are credited to that appropriation. The unencumbered balance of Appropriation 84600 at FY-end is transferred to the lottery fund as required by a 1999 constitutional amendment.

As enacted in the 2021 Wisconsin Act 58 (2021-23 Biennial Budget), ss. 20.505 (8) (j) and 20.505 (8) (jm) were consolidated and renumbered as s. 20.505 (8) (jn), Wis. Stats., General program operations; raffles and bingo. This new appropriation structure supports both raffle and bingo operations and allows for the transfer of budgetary authority between the two programs and their unique appropriation numerics.

Religious, charitable, service, fraternal, and veterans' organizations, as well as any organizations for which contributions are deductible for State and federal income tax purposes, may be licensed to operate bingo-playing sessions in Wisconsin. Except for community-based residential facilities, community centers for senior citizens, and adult family homes, eligible organizations must have been in existence for at least three years, have established funding sources, and at least 15 members.

Bingo licenses are granted for one-year periods. A regular license allows an organization to hold an unlimited number of bingo occasions in the licensed year and requires that the price of any playing card does not exceed $1.00. A limited-period license allows bingo sessions to be conducted during no more than four of five consecutive days once per year. Organizations obtaining limited-period licenses may not charge admission but may charge up to $1.00 per bingo card. The maximum prize value allowable for a single bingo game is $500, and the total prize value for any playing occasion may not exceed $2,500. Prior to 2005, the maximum amount of prizes that could be paid out per bingo occasion was $1,000. In addition, organizations may conduct progressive jackpot bingo, in which the prize is carried over to a succeeding game if no player wins. The starting prize must be either a specified amount that does not exceed $500 or 50 percent (50%) of the card sales for the first game.

Bingo license fees are $10 for each bingo occasion and $5 annually for the member responsible for handling gross bingo receipts, except for community-based residential facilities, senior citizen centers, and adult family homes, which pay a one-time $5 license fee. These fees have remained unchanged since 1973, when bingo laws were first written. Licensed organizations also pay one percent (1.0%) tax on the first $30,000 in gross receipts, and two percent (2.0%) on all gross receipts that exceed $30,000 paid semi-annually based on the license year. Prior to 1999, the tax was a flat two percent (2%) on gross receipts. Suppliers of bingo equipment are also required to be licensed and pay an annual fee of $25 and a supplementary fee ranging from $10 to $1,000, based on gross annual bingo supply sales.

Raffle licenses may be obtained by the same types of organizations eligible to obtain bingo licenses, although the organizations are required to have been in operation for only one year and its activities must be limited to Wisconsin. A $25 annual license fee, which has remain unchanged since 1989, allows an organization to conduct up to 365 raffles and one calendar raffle, which is a raffle in which multiple drawings are made on specified dates. Raffle licenses may be either Class A, which allow tickets to be sold before the day of the drawing with winners not needing to attend the drawing, or Class B, in which the tickets must be sold or delivered on the same day as the drawing and winners are generally required to attend the drawing.

The number of bingo and raffle licenses and amount of license fees and tax through CY 2021 is shown in Table 10.

TABLE 10
Charitable Operations Statistics

	CY 2017	**CY 2018**	**CY 2019**	**CY 2020**	**CY 2021**
Bingo Licenses (#)	514	356	370	139	248
Bingo License Fees	$ 168,263	$ 107,078	$ 100,883	$ 47,052	$ 55,643
Bingo Tax	382,292	194,092	175,556	106,688	70,745
Total Bingo Revenue	$ 550,555	$ 301,170	$ 276,439	$ 153,740	$ 126,388
Raffle Licenses (#)	8,066	11,868	11,700	10,760	11,326
Raffle License Fees	$ 201,650	$ 296,700	$ 292,500	$ 269,000	$ 283,150

Source: Charitable Gaming System, Department of Administration, Division of Gaming

The data illustrates a lengthy trend of decreasing bingo licenses, fee, and tax revenues, and increasing raffle licenses and fee revenues, which is consistent with revenues as measured on the fiscal year basis. COVID-19 has dramatically impacted charitable operations. Both raffle and bingo events center around the gathering of people, and due to the COVID-19 pandemic and public health orders and guidelines, many raffle events and bingo occasions were required to be cancelled. In addition, many licensees deferred their license renewals and many organizations waited until public health requirements and guidelines were lifted before obtaining licenses for raffle events.

As of CY 2021, the number of bingo licensees, while still lower than pre-pandemic levels, are continuing to gradually increase, as shown in Table 10. It should be noted that although bingo operations are experiencing a gradual return to pre-pandemic participation, due to the typical timing difference between events and the reception of tax revenues (i.e., in CY 2022 tax revenues were generally received from bingo activities conducted in CY 2021), a return to pre-pandemic revenues is not anticipated to materialize until CY 2023.

Revenues, expenditures, and lottery fund transfers for the bingo appropriation (s. 20.505 (8) (jn)), which ended FY 2021-22 with a closing balance of $(288,834), are shown in Table 11.Revenues, expenditures, and lapses to the general fund for the raffle appropriation (s. 20.505 (8) (jn)), which ended FY 2021-22 with a closing balance of $10,528, are shown in Table 12. Both tables provide unliquidated encumbrances and Chapter 20 expenditure authority for comparison purposes.

TABLE 11
Bingo Cash Balance, Expenditure Authority

	2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Balance[1]	$ 3	$ 19	$ (32,516)	$ (50,644)	$ (228,887)
Plus: Collected Revenue	312,157	271,822	268,577	89,881	179,842
Less: Expenses	312,141	304,357	274,120	268,124	239,788
Subtotal	$ 0	$ (32,516)	$ (38,059)	$ (228,887)	$ (288,834)
Less: Transfer to Lottery Fund	0	0	0	0	0
Closed Balance Continuing	$ 19	$ (32,516)	$ (38,059)	$ (228,887)	$ (288,834)
Unliquidated Encumbrances	$ 19	$ 339	$ 0	$ 0	$ 0
Chapter 20 Expend. Authority[2]	$ 346,900	$ 341,300	$ 350,100	$ 350,900	$ 190,000

[1] Beginning Balance in FY 2020-21 includes a prior year adjustment for collected revenue of ($12,585) resulting in the change from Closed Balance Continuing in FY 2019-20.
[2] Chapter 20 expenditure authority excludes pay plan supplement adjustments.

TABLE 12
Raffle Cash Balance, Expenditure Authority

	2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Balance[1]	$ 62,005	$ 96,313	$ 117,985	$ 119 413	$ 91,642
Plus: Collected Revenue	294,164	305,572	291,828	275,579	294,228
Less: Expenses	259,856	283,900	274,120	303,300	375,341
Closed Balance Continuing	$ 96,313	$ 117,985	$ 119 413	$ 91,692	$ 10,528
Unliquidated Encumbrances	$ 17	$ 339	$ 0	$ 0	$ 0
Chapter 20 Expend. Authority[2]	$ 280,300	$ 284,300	$ 290,400	$ 291,000	$ 381,000

[1] Beginning Balance in FY 2021-22 includes a prior year adjustment for collected revenue of $(50) resulting in the change in from Closed Balance Continuing in FY 2020-21.
[2] Chapter 20 expenditure authority excludes pay plan supplement adjustments.

Gaming initiated a time study in Spring FY 2019-20 to refine the estimated costs assignable to each gaming appropriation based on current licensing trends and technology resources. The results of the study informed the Department's plan to accurately distribute the authorization of positions by the operational responsibilities performed. This resulted in initiatives proposed under the Department's 2021-23 Agency Biennial Budget submission, which were successfully approved and enacted under 2021 Wisconsin Act 58. The first initiative was to correct the funding mismatch (net 0.00 PR-S FTE change), which resulted in a reduction of (2.15) PR-S FTE under bingo, an increase of 1.35 PR-S FTE under raffle, and an increase of 0.80 PR-S FTE under Indian Gaming (s. 20.505 (8) (h), Wis. Stats., General program operations; Indian gaming). The second initiative was the consolidation of the bingo and raffle appropriations under s. 20.505 (8) (jn).

This change allows the Department greater flexibility to utilize the fee and tax revenues associated with charitable gaming and allow for more effective financial management for the administration and regulation of these programs. In addition to these recent enacted solutions, the Department will continue to evaluate opportunities to address the current overdraft now under s. 20.505 (8) (jn).

Appropriation 16000 - Information Technology Investment Fund - Special Project

In FY 1996-97, General Fund appropriation s. 20.505 (1) (ke), Wis. Stats., Telecommunications and data processing, in the former Division of Technology Management, loaned $3,957,000 to the Information Technology Investment Fund ("ITIF") under s. 20.870, to provide grants to agencies for information technology projects. A total of $3,668,676 of grants was made from the ITIF, net of unspent grant funds. No expenditures have been made from the appropriation since then. Since its inception in FY 1996-97, the Department has made annual payments of varying amounts to reduce the loan obligation. At the end of FY 2021-22, the appropriation reported an unsupported overdraft of $(2,488,948). The Department will continue to consider various sources of revenue to apply to the overdraft and to make payments towards its reduction.

Thank you for your consideration of the Department's plan. Should you have any questions or require additional information, please feel free to contact me at (608) 266-1359 or Robin Malicki, Budget Section Chief, at (608) 264-9576.

Cc: Jana Steinmetz, Administrator, Division of Enterprise Operations
Robin Malicki, Budget Section Chief, Bureau of Financial Management